

Memorandum to Members

Notes to Audited Financial Statements 2019 – 2020

February 2021

A message from OSOT Treasurer, Stephanie Corbin

The Audited Financial Statements of the Society for year end September 30, 2020 have been reviewed and approved by the Board of Directors to be circulated to members. The financial audit is undertaken at the direction of members by a membership appointed auditor. OSOT's audit has been completed by Pennylegion Chung, LLP, Chartered Professional Accountants who were appointed at the 2019 Annual General Meeting.

The Audited Financial Statements are circulated at this time for membership review. At this year's Annual General Meeting (AGM), to be held in September, OSOT members will be asked to support a motion to approve the Audited Financial Statement for the period October 1, 2019– September 30, 2020.

Review of Audited Statements can be challenging for the uninitiated. I am taking this opportunity to present a synopsis in a format that may be easier for members to understand, and to provide more detail regarding how your financial resources were spent in the 2019 - 20 fiscal year. The Audited Financial Statements of the Society at September 30, 2020 follow this commentary. I encourage your review of this information.

Please direct any questions you may have to osot@osot.on.ca.

Stephanie Corbin
Treasurer

Backgrounder...Audited Financial Statements, September 30, 2020

THE ONTARIO SOCIETY OF OCCUPATIONAL THERAPISTS

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020

	2020	2019
ASSETS		
Current assets		
Cash	\$ 1,471,275	\$ 930,704
Short-term investments (note 3)	88,709	758,055
Accounts receivable	1,687	8,992
Prepaid expenses	<u>24,924</u>	<u>5,901</u>
	1,586,595	1,703,652
Long-term assets		
Capital assets (note 4)	<u>45,981</u>	<u>-</u>
	<u>\$ 1,632,576</u>	<u>\$ 1,703,652</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 81,931	\$ 46,445
HST payable	55,854	80,425
Prepaid membership dues, event revenue and insurance fees	<u>875,039</u>	<u>977,004</u>
	<u>1,012,824</u>	<u>1,097,874</u>
Net assets (note 5)		
Reserve Fund	216,000	216,000
Unrestricted	<u>403,752</u>	<u>389,778</u>
	<u>619,752</u>	<u>605,778</u>
	<u>\$ 1,632,576</u>	<u>\$ 1,703,652</u>

Review of the **Statement of Financial Position at September 30, 2020** (left) will show that at year end the Society had net assets of \$619,752. This is the members' equity that existed at the end of the membership year.

- The calculation of net assets takes into consideration the Current Assets at year end which were \$1,586,595. This figure represents cash in the bank and funds invested as well as any invoices owing to the Society at year end and any pre-paid expenses for fiscal 2020-21. It will be noted that the cash assets are much higher than at year end 2019 and that invested assets were lower. This is a result of the maturation of Society investments that were not immediately re-invested so as to assure a substantial cash status to manage OSOT office moving expenses to be incurred in 2019 – 20.
- Members will note an addition that is new in fiscal 2019-20 – Long-term assets/Capital assets of \$45,981. This represents an allocation of the leasehold improvements incurred to ready the new office space at 110 Sheppard Ave. E. in Toronto. Note 4 of the statements reflects this asset and the allocation of an expense of \$1180 expensed to the 2019-20 fiscal year.
- OSOT had Liabilities of \$1,012,824. These were either expenses which we owed or revenues that needed to be allocated to the next membership year (e.g. prepaid 2020-21 membership and insurance fees totalling \$875,039). Subtracting the Liabilities from the Current Assets, results in Net Assets of \$619,752. This compares to Net Assets at year end September 2019 of \$605,778.

- It can be noted that the Society had \$95,965 less prepaid membership dues, event revenue and insurance fees in 2020 as compared to 2019. This largely reflects the 20% membership fee reduction approved by the Board of Directors for the 2020-21 membership year.
- The Society's Net Assets include a Reserve Fund of \$216,000 that is established by a Board policy that aims to protect the organization in the event of an unforeseen crisis or dissolution of the Society by assuring that there would be funds to cover debts. As directed by policy, OSOT allocates an amount equal to 4 – 6 months operating budget and this allocation is a protected Fund, not accessible for covering general operating expenses of the organization.
- Setting aside the Reserve Fund, the Society was left with an Unrestricted Surplus, of \$403,752 at September 30, 2020. The Unrestricted Surplus at September 2019 stood at \$389,778. Unrestricted Surplus represents funds available to support special projects or initiatives that cannot normally be funded through the operating budget which is generally supported by the projected annual revenues. The Board of Directors has intentionally allowed the Unrestricted Surplus to grow in anticipation of the need for the Society to move its offices within Toronto. The office move took place in July 2020 and move expenses are reflected in the 2019-20 statements. While the Society incurred the full cost of the leasehold improvements from cash flow, these costs are amortized over the term of the lease.
- A review of the revenues and expenses in the **Statement of Operations and Net Assets 2019 – 2020** (see page 4), provides an overview of the Society's revenue sources and expense allocations and provides insight into how membership resources are allocated and spent. It should be noted that the Statements do not compare to the approved budget but rather reflect actual revenues/expenses.
- Overall, revenues decreased by approximately 15% over 2019-20. This represents a decrease across virtually all revenue categories including:
 - Membership fees reflect the institution of the first-time paying member 50% reduction and the extension of discount to 2nd year graduates. This did not, for example, reflect a decrease in membership numbers.
 - Reduced revenues (not profits) for Conference/workshops due to the fact that OSOT did not host a conference in 2019-20 and that revenues from co-hosting CAOT Conference in spring 2019 were reflected in 2018-19 figures
 - Advertising income was significantly impacted by the pandemic in the 2020 portion of the fiscal year.
 - Investment income (interest) was reduced as matured investments were not re-invested
 - The income from our ProLink (LMS) contract was reduced as a result of a decision to forego any commission paid to OSOT by the insurer in an effort to keep premium costs low for members.
- The Board of Directors carefully monitors membership growth as this represents such a high percentage of revenues – approximately 84% in 2019-20

THE ONTARIO SOCIETY OF OCCUPATIONAL THERAPISTS

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2020	2019
REVENUE		
Membership dues	\$ 749,683	\$ 764,861
Conference and workshops fees	95,348	196,247
Website and advertising	18,924	29,680
Investment income	16,369	26,352
LMS prolink contract	5,031	15,111
Public relations and professional resource sales	434	144
Employment grant and other	-	8,709
	<u>885,789</u>	<u>1,041,104</u>
EXPENSES		
Personnel	445,815	450,686
Office and administrative	124,993	151,401
Governance	12,621	21,755
Member services direct costs (note 5)		
Professional promotion	98,208	157,862
Special projects	78,268	14,560
Government relations and policy teams	53,886	57,826
Conferences and workshops	33,964	138,402
Website maintenance	12,556	17,205
Legal advisory services	7,035	7,035
Other member services	3,289	3,192
Amortization	<u>1,180</u>	<u>-</u>
	<u>871,815</u>	<u>1,019,924</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	13,974	21,180
Net assets, beginning of year	<u>605,778</u>	<u>584,598</u>
NET ASSETS, END OF YEAR	<u>\$ 619,752</u>	<u>\$ 605,778</u>

- OSOT expenses in 2019-20 of \$871,815 were \$148,109 less than 2018-19 expenses. This is largely a result of the following:
 - A transition in office personnel reduced the personnel budget slightly
 - Office expenses were impacted by the shift to remote operations in March 2020 as a result of the COVID-19 pandemic
 - Governance expenses were significantly impacted by a pivot to virtual Board meetings for the second half of the year as a result of the COVID-19 pandemic
 - Professional promotion activities planned for the 2019-20 fiscal year included 2 digital marketing campaigns (October and June) with videos that were already produced in 2018-19.
 - OSOT did not host a conference in the fall of 2019 as the Society was a host to the CAOT Conference in Spring 2019.
- A new expense category “Amortization” reflects the portion of the new office leasehold improvements attributed to 2019-20. Amortization is the process of gradually writing off the initial cost of an asset. OSOT has engaged a 10-year lease so the cost of the leasehold improvements will be written off over the 10 year period. The move to the new office took

place in July 2020 which represented only 3 months of the fiscal year so this portion of the total amortized cost (\$1,180) is proportionately small.

- OSOT received \$885,789 in revenues and spent \$871,815 in 2019-20 resulting in a surplus of \$13,974. As OSOT is a not-for-profit organization, the accumulation of surplus unrestricted funds is discouraged and the Society generally operates on a balanced budget with intent to spend what is brought in as revenue. A \$14,000 surplus is deemed negligible and does not put the organization at any risk. The Board's decision to approve a variety of Special Projects in 2019 – 20 totalling \$78,268 resulted from the security that unrestricted surplus was available to support these projects without impacting the fiscal stability of the organization. As mentioned previously, the unrestricted surplus has been accumulating to accommodate an office move in 2020 without significant impact on members and/or office operations, member services, or the capacity of the Society to continue to take on new projects.
- Approximately 40% of 2019 - 20 expenses were directed to Member Services Direct Costs. The Society exists to serve and represent the members so resources should be allocated to do just that. It is recognized that the bulk of Personnel expenses are also directed to member service and the Board feels comfortable that the total allocation of approximately 84% of actual expenses is spent to support activities specifically serving members.
- The Unrestricted Surplus at the end of 2018-2019 allowed the Board to approve several important Special Projects in 2019-20 with costs totalling \$78,268. These included;
 - Pilot of HR Consultant participation in Board Human Resources Committee
 - Executive Director Performance Appraisal Development Project
 - Enabling Ageing, Growth & Engagement (En-AGE) Project continuing development
 - Online Career Posting tool
 - OSOT Office move
 - Mitacs Accelerate Grant contribution (shared industry partner grant) to support En-AGE

Questions about the Audited Financial Statements can be directed to Christie Brenchley, Executive Director at osot@osot.on.ca.