

Financial Statements

Ontario Council on Articulation and Transfer

March 31, 2021

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Independent Auditor's Report

Grant Thornton LLP

11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

To the Members of
Ontario Council on Articulation and Transfer

Opinion

We have audited the financial statements of Ontario Council on Articulation and Transfer (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Toronto, Canada
October 14, 2021

Chartered Professional Accountants
Licensed Public Accountants

Ontario Council on Articulation and Transfer

Statement of Financial Position

March 31 2021 2020

Assets

Current

Cash	\$ 2,819,932	\$ 4,193,506
Accounts receivable (Note 3)	127,488	65,219
Prepaid expenses	<u>86,799</u>	<u>99,302</u>
	3,034,219	4,358,027

Property and equipment (Note 4)	155,350	119,322
Intangible assets (Note 5)	<u>2,583</u>	<u>5,401</u>
	<u>\$ 3,192,152</u>	<u>\$ 4,482,750</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 1,386,090	\$ 1,621,938
Deferred revenue (Note 7)	<u>1,806,062</u>	<u>2,860,812</u>
	<u>\$ 3,192,152</u>	<u>\$ 4,482,750</u>

Commitments (Note 8)

On behalf of the board

_____ Member _____ Member

Ontario Council on Articulation and Transfer

Statements of Operations and Changes in Net Assets

Year ended March 31

2021

2020

Revenues		
Government grants	\$ 4,619,592	\$ 4,790,910
Investment income	2,746	21,795
Other income	-	35,063
	<u>4,622,338</u>	<u>4,847,768</u>
Expenditures		
Project expenses	2,398,607	2,735,354
Salaries and benefits	1,744,392	1,528,629
Accommodations	214,926	208,343
Professional fees	108,572	190,681
Computing and financial services	86,479	64,929
Amortization	32,871	33,011
Communications	25,445	19,125
Office and general	8,674	20,091
Travel and meetings	2,372	47,605
	<u>4,622,338</u>	<u>4,847,768</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ -</u>
Surplus, beginning of year	\$ -	\$ -
Excess of revenues over expenses	<u>-</u>	<u>-</u>
Surplus, end of year	<u>\$ -</u>	<u>\$ -</u>

Ontario Council on Articulation and Transfer

Statement of Cash Flows

Year ended March 31	2021	2020
Increase (decrease) in cash		
Operating		
Excess of revenues over expenses	\$ -	\$ -
Items not affecting cash		
Amortization of property and equipment	30,053	29,545
Amortization of intangible assets	<u>2,818</u>	<u>3,466</u>
	32,871	33,011
Change in non-cash working capital items		
Accounts receivable	(62,269)	(10,641)
Prepaid expenses	12,503	(32,922)
Accounts payable and accrued liabilities	(235,848)	(327,013)
Deferred revenue	<u>(1,054,750)</u>	<u>521,090</u>
	(1,307,493)	183,525
Investing		
Purchase of property and equipment	<u>(66,081)</u>	<u>(6,586)</u>
(Decrease) increase in cash	(1,373,574)	176,939
Cash		
Beginning of year	<u>4,193,506</u>	<u>4,016,567</u>
End of year	<u>\$ 2,819,932</u>	<u>\$ 4,193,506</u>

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

1. Nature of organization

Ontario Council on Articulation and Transfer (the "Organization") was incorporated on August 23, 2011 by letters patent under the laws of Canada.

The Organization is responsible for directing and managing the day-to-day activities and operations associated with the Council including Academic Collaboration Fund projects, the ONTransfer web site, including the Ontario Transfer Guide and Course Equivalency Database, and various research activities.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) using the deferral fund method of reporting externally restricted contributions.

Use of estimates

The preparation of the Organization's financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Financial instruments

The Organization's financial instruments are comprised of cash, accounts receivable and accounts payable. Financial assets and liabilities are initially recognized at their fair value. The Organization subsequently measures all financial assets and financial liabilities at amortized cost.

Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates are as follows:

Furniture	5 years
Leasehold improvements	10 years
Computer equipment	3 years

Intangible assets

Intangible assets are recorded at cost and amortized over their useful lives. Software license costs are amortized over the length of the Transfer Payment Agreement. Website and software costs are amortized on a straight-line basis over 5 years.

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

2. Significant accounting policies (continued)

Impairment of long-lived assets

The Organization tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Accrual of expenses

Expenses have been recorded using the accrual basis of accounting, and all expenses have been recorded in the period to which the expense relates.

Revenue recognition

Grants are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Investment and other income is recognized when received or receivable and the amount can be reasonably estimated and collection reasonably assured.

3. Accounts receivable

	<u>2021</u>	<u>2020</u>
HST receivable	<u>\$ 127,488</u>	<u>\$ 65,219</u>

4. Property and equipment

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture	\$ 104,779	\$ 86,498	\$ 18,281	\$ 17,499
Leasehold improvements	217,873	115,690	102,183	95,264
Computer equipment	<u>78,837</u>	<u>43,951</u>	<u>34,886</u>	<u>6,559</u>
	<u>\$ 401,489</u>	<u>\$ 246,139</u>	<u>\$ 155,350</u>	<u>\$ 119,322</u>

The Organization completed leasehold improvements in fiscal 2018. Netted against the cost of the leasehold improvements is a leasehold reimbursement from the landlord of \$188,360.

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

5. Intangible assets

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Website and software	\$ 1,484,317	\$ 1,481,734	\$ 2,583	\$ 5,401
Software license cost	<u>399,000</u>	<u>399,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,883,317</u>	<u>\$ 1,880,734</u>	<u>\$ 2,583</u>	<u>\$ 5,401</u>

6. Bank indebtedness

The organization has a line of credit in the amount of \$500,000 bearing interest at prime plus 1.5%, due on demand and secured with a general security agreement. As at March 31, 2021, the balance was \$Nil (2020 - \$Nil).

7. Deferred revenue

	<u>2021</u>	<u>2020</u>
Deferred revenue, beginning of period	\$ 2,860,812	\$ 2,339,722
Add: funds received	3,564,842	5,312,000
Less: revenue recognized	<u>(4,619,592)</u>	<u>(4,790,910)</u>
Deferred revenue, end of period	<u>\$ 1,806,062</u>	<u>\$ 2,860,812</u>

8. Commitments

(a) Premises lease agreement

The Organization is committed under the terms of the operating lease for premises up to fiscal 2028. The annual minimum lease payments over the next five years are as follows:

2022	\$ 111,745
2023	114,849
2024	117,066
2025	117,066
2026	117,066
Subsequent years	<u>165,842</u>
	<u>\$ 743,634</u>

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

8. Commitments (continued)

(b) Credit transfer project

The Organization entered into agreements with a number of Ontario colleges and universities to prepare components of the various initiatives undertaken by the Organization. Under the terms of the agreements, the colleges and universities have been engaged to complete portions of the pathway development, innovative curriculum development, and research projects up to fiscal 2024. The annual minimum commitment payments over the next three years are as follows:

2022	\$	683,509
2023		111,845
2024		44,852

9. Financial instruments

Transactions in financial instruments may result in the Organization assuming or transferring to another party one of more the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Credit risk

The Organization's credit risk is primarily with respect to their accounts receivable. Given the nature of receivables, the Organization does not consider credit risk to be significant.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk mainly in respect of its accounts payable. The Organization manages liquidity risk by maintaining cash balances in excess of outstanding obligations.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is not exposed to significant currency risk, interest rate risk or other price risk due to the nature of their financial instruments.

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

10. Ministry spending reconciliation

The reconciliation of the Ministry of Training, Colleges and Universities (formerly Ministry of Advanced Education and Skills Development) funding and expenditures is as follows.

	<u>2021</u>	<u>2020</u>
Funding received during the year		
Funds received from the Ministry (Note 7)	<u>\$ 3,564,842</u>	<u>\$ 5,312,000</u>
 Total expenditures		
Expenses per statement of operations	\$ 4,622,338	\$ 4,847,768
Items capitalized for accounting purposes		
Property and equipment	66,080	6,586
Less: amortization	<u>(32,871)</u>	<u>(33,011)</u>
	<u>\$ 4,655,547</u>	<u>\$ 4,821,343</u>
 (Deficit) surplus	\$ (1,090,705)	\$ 490,657
Other income	-	35,063
Investment income	<u>2,746</u>	<u>21,795</u>
 Total (deficit) surplus	<u>\$ (1,087,959)</u>	<u>\$ 547,515</u>

11. Economic dependence

The Organization is economically dependent on the Ministry of Colleges and Universities for grant revenue.

Ontario Council on Articulation and Transfer

Notes to the Financial Statements

March 31, 2021

12. Subsequent events

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

At this time, the Organization has experienced a decrease in project-related and other expenses as a result of conferences being cancelled or postponed to comply with local safety regulations. The Organization has limited the impact of COVID-19 as the Organization has a signed TPA in place for 2021/2022.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses (including the closure of non-essential businesses for an undetermined period of time), remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.