

**COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012**

Independent Auditor's Report	Page 1
Balance Sheets	2
Statements of Operations	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 to 11



## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL OF COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO  
/ORDRE DES THERAPEUTES RESPIRATOIRES DE L'ONTARIO

### **Report on Financial Statements**

We have audited the accompanying financial statements of College of Respiratory Therapists of Ontario, which comprise the balance sheets as at February 28, 2013, February 29, 2012 and March 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended February 28, 2013 and February 29, 2012, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of College of Respiratory Therapists of Ontario as at February 28, 2013, February 29, 2012 and March 1, 2011 and its financial performance and its cash flows for the years ended February 28, 2013 and February 29, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*Clarke Henning LLP*

Toronto, Ontario  
May 24, 2013

CHARTERED ACCOUNTANTS  
Licensed Public Accountants

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## BALANCE SHEETS

AS AT FEBRUARY 28, 2013, FEBRUARY 29, 2012 AND MARCH 1, 2011

	February 28, 2013	February 29, 2012	March 1, 2011
<b>ASSETS</b>			
Current assets			
Cash	\$ 956,786	\$ 1,336,633	\$ 1,134,186
Sundry receivables and prepaid expenses	21,913	21,526	24,802
	<b>978,699</b>	1,358,159	1,158,988
Marketable securities ( <i>note 3</i> )	<b>1,614,349</b>	1,287,038	1,499,850
Capital assets ( <i>note 4</i> )	<b>93,321</b>	159,196	113,684
	<b>2,686,369</b>	2,804,393	2,772,522
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	<b>96,278</b>	56,594	68,772
Deferred revenue - registration fees ( <i>note 1</i> )	<b>1,160,900</b>	1,271,775	1,187,201
	<b>1,257,178</b>	1,328,369	1,255,973
<b>NET ASSETS</b>			
Abuse therapy fund	<b>20,000</b>	20,000	20,000
General contingency reserve fund	<b>500,000</b>	500,000	500,000
General investigations and hearings fund	<b>150,000</b>	150,000	150,000
Special projects reserve	<b>400,000</b>	400,000	400,000
Fees stabilization reserve	<b>150,000</b>	150,000	150,000
Invested in capital assets	<b>93,321</b>	159,196	113,684
Operating - unrestricted	<b>115,870</b>	96,828	182,865
	<b>1,429,191</b>	1,476,024	1,516,549
	<b>\$ 2,686,369</b>	\$ 2,804,393	\$ 2,772,522

Approved on behalf of the Council:

\_\_\_\_\_, President      \_\_\_\_\_, Member

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## STATEMENTS OF OPERATIONS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

	2013	2012
Revenues		
Registration and renewal fees	\$ 1,433,850	\$ 1,385,126
Application fees	12,450	13,725
Investment and sundry income (note 5)	42,850	94,498
	<b>1,489,150</b>	1,493,349
Expenses		
Salaries and benefits	792,510	770,276
Office operations		
Rent	136,532	123,685
All other - operations	82,683	119,039
Quality assurance portfolio and standards assessment	67,092	65,234
Depreciation	65,875	78,253
Professional fees	47,399	47,027
Bank and credit card charges	27,452	35,178
Staff travel	14,836	14,959
Stationery and office supplies	13,705	18,168
Equipment maintenance and rental	13,656	16,319
Telephone	9,813	9,256
Postage and delivery	9,670	12,644
Minor equipment and software purchases	8,206	6,634
Printing	7,362	18,947
Insurance	4,483	7,066
	<b>508,764</b>	572,409
Council and committee		
Travel, accommodation and meals	45,795	47,195
Consulting	-	14,732
Per diem	35,192	31,247
Other meeting expenses	7,023	5,474
Education and training	12,649	3,290
	<b>100,659</b>	101,938
Special Projects		
Scope of practice	54,279	33,108
Refresh/retrain modules	60,000	50,000
Other	19,771	6,143
	<b>134,050</b>	89,251
Total operating expenses	<b>1,535,983</b>	1,533,874
Deficiency of revenues over expenses for the year	\$ (46,833)	\$ (40,525)

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

	2013								2012
	Abuse Therapy Fund	General Contingency Reserve Fund	General Investigations and Hearings Fund	Special Projects Reserve	Fees Stabilization Reserve	Invested In Capital Assets	Operating Fund	Total	Total
Balance - at beginning of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 159,196	\$ 96,828	\$ 1,476,024	\$ 1,516,549
Deficiency of revenues over expenses for the year	-	-	-	-	-	-	(46,833)	(46,833)	(40,525)
	20,000	500,000	150,000	400,000	150,000	159,196	49,995	1,429,191	1,476,024
Inter-fund transfers representing Depreciation expense	-	-	-	-	-	(65,875)	65,875	-	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 93,321	\$ 115,870	\$ 1,429,191	\$ 1,476,024

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## STATEMENTS OF CASH FLOWS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

	2013	2012
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,335,425	\$ 1,483,425
Interest received	54,261	16,397
Cash paid to employees and suppliers	(1,430,809)	(1,464,523)
Other income received	35	1,925
	<u>(41,088)</u>	<u>37,224</u>
Cash flows from investing activities		
Redemption (purchase) of marketable securities, net	(338,759)	288,988
Purchase of furniture and equipment	-	(123,765)
	<u>(338,759)</u>	<u>165,223</u>
Change in cash during the year	<u>(379,847)</u>	<u>202,447</u>
Cash - at beginning of year	1,336,633	1,134,186
Cash - at end of year	<u>\$ 956,786</u>	<u>\$ 1,336,633</u>

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

---

The College of Respiratory Therapists of Ontario/Ordre des Therapeutes Respiratoires de l'Ontario (the "College"), through its administration of the Regulated Health Professions Act and the Respiratory Therapy Act is dedicated to ensure that respiratory care services provided to the public by its members are delivered in a safe and ethical manner.

The College is the governing body established by the provincial government to regulate the practice of respiratory therapy in Ontario under the Regulated Health Professions Act and was enacted by statute under the Respiratory Therapy Act (1991). The College is a not-for-profit organization incorporated without share capital under the laws of Ontario and, as such, is generally exempt from income taxes.

### *1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

#### *Basis of Presentation*

##### *Operations*

The operating fund reflects the day-to-day activities of the College which are financed generally by registration, renewal and application fees. All interest income earned is allocated to the operating fund.

The designated funds account for specific purpose activities and are financed by appropriations from the operating fund. The details of designated funds are as follows:

- (a) In accordance with the Regulated Health Professions Act, the College has set up the Abuse Therapy Fund to provide therapy and counselling for persons who, while patients, were sexually abused by a member(s). This fund will be expended on persons who satisfy the College's eligibility criteria.
- (b) The General Contingency Reserve Fund is designated to provide for extraordinary expenses that exceed or fall outside of the College's operating budget and to fund the College's obligations in extreme circumstances, as determined and approved by Council.
- (c) The General Investigations and Hearings Fund is designated to provide for unanticipated legal and committee costs resulting from complaints, investigations, fitness to practice and discipline processes, which may exceed the allocated budget.
- (d) The Special Projects Reserve is for the specific purpose of meeting unanticipated expenses of the College for special projects, such as standards of practice, quality assurance, communications initiatives, capital assets, relocation expenses, etc..
- (e) The Fees Stabilization Reserve is specific for the purpose of subsidizing registration fees.

#### *Financial Assets and Liabilities*

The College initially measures its financial assets and liabilities at fair value. The College subsequently measures all its financial assets and financial liabilities at amortized cost except for marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets and liabilities measured at amortized cost include cash, certain marketable securities, sundry receivables and accounts payable and accrued liabilities.

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Marketable Securities*

Marketable securities are recorded at fair value for those that are quoted in an active market, others are recorded at amortized cost. Unrealized holding gains and losses are included in investment income. The quoted market price of investments is used to estimate the fair value.

#### *Capital Assets*

Capital assets are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Office furniture and equipment	- 20%
Computer equipment and software	- 33 <sup>1</sup> / <sub>3</sub> %
Database	- 20%
Leasehold Improvements	- over the term of the lease

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2013 and 2012.

#### *Revenue Recognition*

The College's principal source of revenue is registration fees which are recognized as revenue in the period to which the fees relate. Registration fees received in the current year, applicable to a subsequent year are recorded as deferred revenue on the balance sheet and will be accounted for in income in the year to which they pertain.

Investment income consists of interest and realized and unrealized gains and losses from investment transactions. Interest income is recorded when earned. Realized gains and losses are recognized as income when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and are included in current period income.

All other sources of revenue are recorded in the accounts when services have been performed or goods have been delivered.

#### *Use of Estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, often as a result of matters that are uncertain, include, among others, useful lives for depreciation and amortization of capital assets. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.



# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

---

### 2. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective March 1, 2012, the College adopted the requirements of the Canadian Institute of Chartered Accountant's Handbook and has adopted Canadian Accounting Standards for Not-for-Profit Organizations ("NPO Standards"). This accounting framework is in accordance with Canadian generally accepted accounting principles. These are the first financial statements prepared in accordance with this framework which has been applied retrospectively. The accounting policies set out in the summary of significant accounting policies have been applied in preparing the financial statements as at February 28, 2013 and for the year then ended and the comparative information presented in these financial statements as at February 29, 2012 and for the year then ended and in the preparation of an opening balance sheet at March 1, 2011.

The College previously issued financial statements for the year ended February 29, 2012 using CICA Handbook Part V - Pre-Changeover Accounting Standards which are the standards applied by the College prior to its adoption of NPO Standards. The adoption of NPO Standards had no impact on the previously reported assets, liabilities and net assets of the College, and accordingly, no adjustments were required in the comparative balance sheets, statements of operations, changes in net assets and cash flows. Certain of the comparative presentation and disclosures included in the notes to these financial statements reflect the new presentation and disclosure requirements of NPO Standards.

### 3. MARKETABLE SECURITIES

Details of marketable securities are as follows:

	<i>February 28, 2013</i>	<i>February 29, 2012</i>	<i>March 1, 2011</i>
Provincial government bond coupons at varying rates between 4.08% to 4.64%, maturing from 2014 to 2017	\$ 983,348	\$ 953,844	\$ 877,786
Canadian Imperial Bank of Commerce - Guaranteed Investment Certificate at 1.70%, due May 6, 2013 (1.95% in 2012, due April 30, 2012; 1.50% in 2011, due April 28, 2011)	304,164	324,734	318,751
B2B Trust High Interest Investment Account	326,837	2,261	101,116
Dundee Investment Savings Account	-	-	101,126
Renaissance High Interest Savings Account	-	6,199	101,071
	<b>\$ 1,614,349</b>	<b>\$ 1,287,038</b>	<b>\$ 1,499,850</b>

#### *Investment Risk Management*

Risk management relates to the understanding and active management of risks associated with all areas of the College's activities and operations. Investments are primarily exposed to interest rate risk. The College has formal policies and procedures for investment transactions and investments are made on the advice of the portfolio manager.

#### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the College and future investment income. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise.

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

### 4. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>		
			<i>February 28, 2013</i>	<i>February 29, 2012</i>	<i>March 1, 2011</i>
Office furniture and equipment	\$ 23,838	\$ 23,448	\$ 390	\$ 1,219	\$ 2,968
Computer equipment and software	18,157	18,157	-	-	1,740
Database	231,937	193,874	38,063	73,181	102,512
Leasehold improvements	114,724	59,856	54,868	84,796	6,464
	<b>\$ 388,656</b>	<b>\$ 295,335</b>	<b>\$ 93,321</b>	<b>\$ 159,196</b>	<b>\$ 113,684</b>

### 5. INVESTMENT AND SUNDRY INCOME

Investment and sundry income is comprised of the following:

	<i>2013</i>	<i>2012</i>
Investment income		
Interest income	\$ 54,261	\$ 53,775
Unrealized gain (loss) on investments	(11,446)	38,798
	<b>42,815</b>	<b>92,573</b>
Sundry income	<b>35</b>	<b>1,925</b>
	<b>\$ 42,850</b>	<b>\$ 94,498</b>

### 6. CREDIT FACILITIES

The College has a credit facility with CIBC - Canadian Imperial Bank of Commerce in the amount of \$25,000 for corporate Visa cards. This credit facility is secured by a security agreement granting a first security interest in all present and after acquired personal property of the College.

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

---

### 7. FINANCIAL INSTRUMENTS

The College is exposed to various risks through its financial instruments. The following analysis provides a measure of the College's risk exposure at the balance sheet date.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The College's main credit risks relate to sundry receivables. The College is not exposed to significant credit risk.

#### *Liquidity Risk*

Liquidity risk is the risk that the College will encounter difficulty in meeting obligations associated with financial liabilities. The College is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The College expects to meet these obligations as they come due by generating sufficient cash flow from operations.

#### *Market Risk*

Market risk is the risk that the fair value or 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 College is not exposed to currency or other price risks. Interest rate risk is disclosed in note 3.

### 8. COMMITMENTS

The College is committed to annual rental payments under leases for office equipment and premises (excluding operating costs), expiring December 2014 to April 2018 as follows:

		<i>Equipment</i>	<i>Premises</i>
Fiscal year February 28,	2014	\$ 17,831	\$ 47,561
	2015	17,831	39,846
	2016	17,831	-
	2017	17,831	-
	2018	17,831	-
		<u>\$ 89,155</u>	<u>\$ 87,407</u>

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2013 amount to \$73,439 (2012 - \$76,605).

The College is also committed to consulting services in the amount of \$18,522 for Phase 2 of the College Respiratory Therapy Scope of Practice Review.

# COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012

---

### *9. GUARANTEES AND INDEMNITIES*

The College has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions in which they are sued as a result of their involvement with the College, if they acted honestly and in good faith with a view to the best interest of the College. The College has purchased directors' and officers' liability insurance with respect to this indemnification. The maximum amount of any potential future payment cannot be reasonably estimated.

In the normal course of business, the College has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts, lease agreements and purchase contracts. In these agreements, the College agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of the College. The terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.