

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2014

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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 sheet as at February 28, 2014 and the statements of operations, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Clarke Henning LLP

Toronto, Ontario
June 6, 2014

CHARTERED ACCOUNTANTS
Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO


BALANCE SHEET

AS AT FEBRUARY 28, 2014

	2014	2013
ASSETS		
Current assets		
Cash	\$ 1,209,099	\$ 956,786
Sundry receivables and prepaid expenses	19,247	21,913
Marketable securities (note 2)	583,411	631,001
	1,811,757	1,609,700
Marketable securities (note 2)	1,003,206	983,348
Capital assets (note 3)	55,017	93,321
	2,869,980	2,686,369
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	69,146	96,278
Deferred revenue - registration fees (note 1)	1,376,076	1,160,900
	1,445,222	1,257,178
NET ASSETS		
Abuse therapy fund	20,000	20,000
General contingency reserve fund	500,000	500,000
General investigations and hearings fund	150,000	150,000
Special projects reserve	400,000	400,000
Fees stabilization reserve	150,000	150,000
Invested in capital assets	55,017	93,321
Operating - unrestricted	149,741	115,870
	1,424,758	1,429,191
	\$ 2,869,980	\$ 2,686,369

Approved on behalf of the Council:

 President

 Member

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2014

	2014	2013
Revenues		
Registration and renewal fees	\$ 1,486,153	\$ 1,433,850
Application fees	12,550	12,450
Investment and sundry income (note 4)	33,921	42,850
	1,532,624	1,489,150
Expenses		
Salaries and benefits	746,618	792,510
Office operations		
Rent	136,671	136,532
All other - operations	125,738	82,683
Quality assurance portfolio and standards assessment	45,348	67,092
Depreciation	51,042	65,875
Professional fees	63,108	47,399
Bank and credit card charges	35,253	27,452
Staff travel	13,712	14,836
Stationery and office supplies	14,170	13,705
Equipment maintenance and rental	18,771	13,656
Telephone	8,626	9,813
Postage and delivery	6,099	9,670
Minor equipment and software purchases	531	8,206
Printing	4,758	7,362
Insurance	4,517	4,483
	528,344	508,764
Council and committee		
Travel, accommodation and meals	43,948	45,795
Per diem	28,388	35,192
Other meeting expenses	6,827	7,023
Education and training	1,130	12,649
	80,293	100,659
Special Projects		
Scope of practice	88,332	54,279
Refresh/retrain modules	4,569	60,000
Student development	10,170	-
Website	18,852	-
Competency assessment	50,751	-
Other	9,128	19,771
	181,802	134,050
Total operating expenses	1,537,057	1,535,983
Deficiency of revenues over expenses for the year	\$ (4,433)	\$ (46,833)

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28, 2014

	2014						2013	
	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
Balance - at beginning of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 93,321	\$ 115,870	\$ 1,429,191
Deficiency of revenues over expenses for the year	-	-	-	-	-	-	(4,433)	(46,833)
Inter-fund transfers representing								
Depreciation expense	-	-	-	-	-	(51,042)	51,042	-
Purchase of furniture and equipment	-	-	-	-	-	12,738	(12,738)	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 55,017	\$ 149,741	\$ 1,424,758
								\$ 1,429,191

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2014

	2014	2013
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,714,379	\$ 1,335,425
Interest received	53,301	54,261
Cash paid to employees and suppliers	(1,510,481)	(1,430,809)
Other income received	35	35
	<u>257,234</u>	<u>(41,088)</u>
Cash flows from investing activities		
Redemption (purchase) of marketable securities, net	8,317	(338,759)
Purchase of furniture and equipment	(12,738)	-
	<u>(4,421)</u>	<u>(338,759)</u>
Change in cash during the year	<u>252,813</u>	<u>(379,847)</u>
Cash - at beginning of year	956,786	1,336,633
Cash - at end of year	<u>\$ 1,209,599</u>	<u>\$ 956,786</u>

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2014

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 corporate body without share capital 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 and include the following significant 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 Council of the College has internally restricted net assets to be used for specific purposes. These funds are not available for unrestricted purposes without approval of the Council. The details of internally restricted net assets 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 minimizing or delaying the impact of year-over-year changes in revenues and expenses on membership renewal 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

YEAR ENDED FEBRUARY 28, 2014

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 $\frac{1}{3}$ %
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 2014.

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

YEAR ENDED FEBRUARY 28, 2014

2. MARKETABLE SECURITIES

Details of marketable securities are as follows:

	2014	2013
Short-Term		
Equitable Trust Company - Guaranteed Investment Certificate at 1.65%, due May 12, 2014	\$ 101,320	\$ -
Home Trust Company - Guaranteed Investment Certificate at 1.65%, due May 12, 2014	101,320	-
Canadian Imperial Bank of Commerce - Guaranteed Investment Certificate (1.70% in 2013, due May 6, 2013)	-	304,164
B2B Trust High Interest Investment Account	362,637	326,837
RBC Investment Savings Account	18,134	-
	583,411	631,001
Long-Term		
Provincial government bond coupons at varying rates between 4.29% to 4.64%, maturing from 2015 to 2017	865,917	983,348
B2B Bank - Guaranteed Investment Certificate at 1.75%, due Jan 15, 2016	137,289	-
	1,003,206	983,348
	\$ 1,586,617	\$ 1,614,349

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 investment advisor.

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.

3. CAPITAL ASSETS

Details of capital assets are as follows:

	Cost	Accumulated Depreciation	Net Book Value	
			2014	2013
Office furniture and equipment	\$ 23,838	\$ 23,708	\$ 130	\$ 390
Computer equipment and software	18,157	18,157	-	-
Database	244,675	214,728	29,947	38,063
Leasehold improvements	114,724	89,784	24,940	54,868
	\$ 401,394	\$ 346,377	\$ 55,017	\$ 93,321

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2014

4. INVESTMENT AND SUNDRY INCOME

Investment and sundry income is comprised of the following:

	2014	2013
Investment income		
Interest income	\$ 53,301	\$ 54,261
Unrealized loss on investments	(19,415)	(11,446)
	33,886	42,815
Sundry income	35	35
	\$ 33,921	\$ 42,850

5. 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.

6. FINANCIAL INSTRUMENTS AND RISK EXPOSURE

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 and commitments. 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 2.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2014

7. COMMITMENTS

The College is committed to annual rental payments under operating leases for office equipment and premises (excluding operating costs), expiring April 2018 to December 2019 as follows:

		<i>Equipment</i>	<i>Premises</i>
Fiscal year February 28,	2015	\$ 17,831	\$ 48,851
	2016	17,831	54,030
	2017	17,831	54,030
	2018	17,831	54,030
	2019	-	54,030
	2020	-	45,025
		<u>\$ 71,324</u>	<u>\$ 309,996</u>

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2014 amount to \$68,223 (2013 - \$73,439).

8. 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.