

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2015

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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

We have audited the accompanying financial statements of College of Respiratory Therapists of Ontario, which comprise the balance sheet as at February 28, 2015 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, 2015 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 5, 2015

CHARTERED ACCOUNTANTS
Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

BALANCE SHEET

AS AT FEBRUARY 28, 2015

	2015	2014
ASSETS		
Current assets		
Cash	\$ 955,816	\$ 1,209,099
Sundry receivables and prepaid expenses	26,677	19,247
Marketable securities (<i>note 2</i>)	734,343	583,411
	1,716,836	1,811,757
Marketable securities (<i>note 2</i>)	886,320	1,003,206
Capital assets (<i>note 3</i>)	59,827	55,017
	2,662,983	2,869,980
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	75,399	69,146
Deferred revenue - registration fees (<i>note 1</i>)	1,241,363	1,376,076
	1,316,762	1,445,222
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	59,827	55,017
Operating - unrestricted	66,394	149,741
	1,346,221	1,424,758
	\$ 2,662,983	\$ 2,869,980

Approved on behalf of the Council:

_____, President _____, Member

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2015

	2015	2014
Revenues		
Registration and renewal fees	\$ 1,525,490	\$ 1,486,153
Application fees	17,000	12,550
Investment and sundry income (note 5)	35,928	33,921
	1,578,418	1,532,624
Expenses		
Salaries and benefits	830,918	746,618
Office operations		
Rent	137,657	136,671
All other - operations	167,122	125,738
Quality assurance portfolio and standards assessment	44,170	45,348
Depreciation	44,019	51,042
Professional fees	92,136	63,108
Bank and credit card charges	35,160	35,253
Staff travel	9,635	13,712
Stationery and office supplies	19,629	14,170
Equipment maintenance and rental	18,701	18,771
Telephone	9,535	8,626
Postage and delivery	10,262	6,099
Minor equipment and software purchases	7,138	531
Printing	5,462	4,758
Insurance	4,598	4,517
	605,224	528,344
Council and committee		
Travel, accommodation and meals	29,107	43,408
Per diem	23,504	28,928
Other meeting expenses	8,746	6,827
Education and training	4,345	1,130
	65,702	80,293
Special Projects		
20th Anniversary event	20,357	-
Scope of practice	83,801	88,332
Refresh/retrain modules	-	4,569
Student development	-	10,170
Website	214	18,852
Competency assessment	50,739	50,751
Other	-	9,128
	155,111	181,802
Total operating expenses	1,656,955	1,537,057
Deficiency of revenues over expenses for the year	\$ (78,537)	\$ (4,433)

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28, 2015

	2015								2014
	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	\$ 55,017	\$ 149,741	\$ 1,424,758	\$ 1,429,191
Deficiency of revenues over expenses for the year	-	-	-	-	-	-	(78,537)	(78,537)	(4,433)
	20,000	500,000	150,000	400,000	150,000	55,017	71,204	1,346,221	1,424,758
Inter-fund transfers representing									
Depreciation expense	-	-	-	-	-	(44,019)	44,019	-	-
Purchase of furniture and equipment	-	-	-	-	-	48,829	(48,829)	-	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 59,827	\$ 66,394	\$ 1,346,221	\$ 1,424,758

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2015

	2015	2014
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,407,777	\$ 1,713,879
Interest received	52,622	53,301
Cash paid to employees and suppliers	(1,614,114)	(1,510,481)
Other income received	2,407	35
	(151,308)	256,734
Cash flows from investing activities		
Redemption (purchase) of marketable securities, net	(53,146)	8,317
Purchase of furniture and equipment	(48,829)	(12,738)
	(101,975)	(4,421)
Change in cash during the year	(253,283)	252,313
Cash - at beginning of year	1,209,099	956,786
Cash - at end of year	\$ 955,816	\$ 1,209,099

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2015

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 ensuring 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, 2015

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 2015.

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, 2015

2. MARKETABLE SECURITIES

Details of marketable securities are as follows:

	2015	2014
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
Home Trust Company - Guaranteed Investment Certificate at 1.80%, due April 27, 2015	203,018	-
Home Trust Company - Guaranteed Investment Certificate at 1.85%, due May 15, 2015	202,919	-
B2B Bank - Guaranteed Investment Certificate at 1.75%, due Jan 15, 2016	137,282	-
B2B Trust High Interest Investment Account	172,764	362,637
RBC Investment Savings Account	18,360	18,134
	734,343	583,411
Long-Term		
Provincial government bond coupons at varying rates between 4.29% to 4.64%, maturing from 2015 to 2017	886,320	865,917
B2B Bank - Guaranteed Investment Certificate at 1.75%, due Jan 15, 2016	-	137,289
	886,320	1,003,206
	\$ 1,620,663	\$ 1,586,617

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.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2015

3. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	
			<i>2015</i>	<i>2014</i>
Office furniture and equipment	\$ 66,593	\$ 28,114	\$ 38,479	\$ 130
Computer equipment and software	18,157	18,157	-	-
Database	250,749	229,401	21,348	29,947
Leasehold improvements	114,723	114,723	-	24,940
	\$ 450,222	\$ 390,395	\$ 59,827	\$ 55,017

4. 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.

5. INVESTMENT AND SUNDRY INCOME

Investment and sundry income is comprised of the following:

	<i>2015</i>	<i>2014</i>
Investment income		
Interest income	\$ 52,622	\$ 53,301
Unrealized loss on investments	(19,100)	(19,415)
	33,522	33,886
Sundry income	2,406	35
	\$ 35,928	\$ 33,921

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2015

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.

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,	2016	\$ 17,831	\$ 54,030
	2017	17,831	54,030
	2018	17,831	54,030
	2019	-	54,030
	2020	-	45,025
		\$ 53,493	\$ 261,145

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2015 amount to \$89,000 (2014 - \$68,000).

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2015

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.