

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016

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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 29, 2016 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 29, 2016 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 3, 2016

CHARTERED ACCOUNTANTS
Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

BALANCE SHEET

AS AT FEBRUARY 29, 2016

	2016	2015
ASSETS		
Current assets		
Cash	\$ 1,420,073	\$ 955,816
Sundry receivables and prepaid expenses (<i>note 6</i>)	31,897	26,677
Marketable securities (<i>note 2</i>)	698,481	1,112,570
	2,150,451	2,095,063
Marketable securities (<i>note 2</i>)	709,742	508,093
Capital assets (<i>note 3</i>)	82,148	59,827
	2,942,341	2,662,983
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	86,486	75,399
Deferred revenue - registration fees (<i>note 1</i>)	1,412,450	1,241,363
	1,498,936	1,316,762
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	82,148	59,827
Operating - unrestricted	141,257	66,394
	1,443,405	1,346,221
	\$ 2,942,341	\$ 2,662,983

Approved on behalf of the Council:

_____, President _____, Member

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 29, 2016

	2016	2015
Revenues		
Registration and renewal fees	\$ 1,584,863	\$ 1,525,490
Application fees	15,450	17,000
Investment and sundry income (note 5)	24,246	35,928
E-Health Ontario project funding (note 6)	48,424	-
	1,672,983	1,578,418
Expenses		
Salaries and benefits (note 6)	844,882	830,918
Office operations		
Rent	143,456	137,657
All other - operations	129,320	167,122
Quality assurance portfolio and standards assessment	57,259	44,170
Depreciation	19,398	44,019
Professional fees	58,037	92,136
Bank and credit card charges	45,534	35,160
Staff travel	21,919	9,635
Stationery and office supplies	13,718	19,629
Equipment maintenance and rental	18,578	18,701
Telephone	10,725	9,535
Postage and delivery	8,946	10,262
Minor equipment and software purchases	3,363	7,138
Printing	4,868	5,462
Insurance	4,283	4,598
	539,404	605,224
Council and committee		
Travel, accommodation and meals	29,216	29,107
Per diem	19,100	23,504
Other meeting expenses	12,138	8,746
Education and training	6,387	4,345
	66,841	65,702
Special Projects		
20th Anniversary event	100	20,357
Scope of practice	83,812	83,801
Quality assurance	4,596	214
Competency assessment	36,164	50,739
	124,672	155,111
Total operating expenses	1,575,799	1,656,955
Excess (deficiency) of revenues over expenses for the year	\$ 97,184	\$ (78,537)

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 29, 2016

	2016								2015
	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	\$ 59,827	\$ 66,394	\$ 1,346,221	\$ 1,424,758
Excess (deficiency) of revenues over expenses for the year	-	-	-	-	-	-	97,184	97,184	(78,537)
	20,000	500,000	150,000	400,000	150,000	59,827	163,578	1,443,405	1,346,221
Inter-fund transfers representing									
Depreciation expense	-	-	-	-	-	(19,398)	19,398	-	-
Purchase of furniture and equipment	-	-	-	-	-	41,719	(41,719)	-	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 82,148	\$ 141,257	\$ 1,443,405	\$ 1,346,221

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 29, 2016

	2016	2015
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,771,400	\$ 1,407,777
Interest received	36,493	52,622
Cash paid to employees and suppliers	(1,537,514)	(1,614,114)
Other income received	-	2,407
Cash received from E-Health	35,404	-
	305,783	(151,308)
Cash flows from investing activities		
Redemption (purchase) of marketable securities, net	200,193	(53,146)
Purchase of furniture and equipment	(41,719)	(48,829)
	158,474	(101,975)
Change in cash during the year	464,257	(253,283)
Cash - at beginning of year	955,816	1,209,099
Cash - at end of year	\$ 1,420,073	\$ 955,816

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 29, 2016

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 29, 2016

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 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 2016.

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.

Project funding is recognized in revenue in the year in which the eligible expenditures are incurred.

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 29, 2016

2. MARKETABLE SECURITIES

Details of marketable securities are as follows:

	2016	2015
Short-Term		
Provincial government bond coupons, due June 2, 2016 (due December 2, 2015 - 2015)	\$ 187,572	\$ 378,227
Equitable Trust Company - Guaranteed Investment Certificate at 1.65%, due April 28, 2016	208,851	-
Home Trust Company - Guaranteed Investment Certificate at 1.75%, due June 6, 2016	206,614	-
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 January 15, 2016	-	137,282
B2B Trust High Interest Investment Account	76,925	172,764
RBC Investment Savings Account	18,519	18,360
	698,481	1,112,570
Long-Term		
Provincial government bond coupons, due February 26, 2017 (due June 2, 2016 and February 27, 2017 - 2015)	325,426	508,093
Home Trust Company - Guaranteed Investment Certificate at 2.04%, due December 4, 2018	384,316	-
	709,742	508,093
	\$ 1,408,223	\$ 1,620,663

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 29, 2016

3. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	
			<i>2016</i>	<i>2015</i>
Office furniture and equipment	\$ 66,593	\$ 36,665	\$ 29,928	\$ 38,479
Computer equipment and software	25,051	19,306	5,745	-
Database	255,969	239,100	16,869	21,348
Software under development	29,606	-	29,606	-
Leasehold improvements	114,723	114,723	-	-
	\$ 491,942	\$ 409,794	\$ 82,148	\$ 59,827

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>2016</i>	<i>2015</i>
Investment income		
Interest income	\$ 36,493	\$ 52,622
Unrealized loss on investments	(12,247)	(19,100)
	24,246	33,522
Sundry income	-	2,407
	\$ 24,246	\$ 35,929

6. E-HEALTH ONTARIO PROJECT FUNDING

The College entered into an agreement with E-Health Ontario for the purpose of carrying out a project to deliver specified services to the public in the Province of Ontario. The project was completed during the year.

The internal resources spent on the project amounted to \$28,020, which were included in salaries and benefits on the statement of operations. External services hired for the database development amounted to \$20,404, which were incurred and reported in the previous year.

Included in accounts receivable was \$13,010, representing the balance of the funding received subsequent to the year end.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 29, 2016

7. 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 significant currency or other price risks. Interest rate risk is disclosed in note 2.

8. 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,	2017	\$ 17,831	\$ 54,030
	2018	17,831	54,030
	2019	-	54,030
	2020	-	45,025
		\$ 35,662	\$ 207,115

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2016 amounted to approximately \$89,000 (2015 - \$89,000).

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 29, 2016

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.