

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2017

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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, 2017 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, 2017 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 2, 2017

CHARTERED ACCOUNTANTS
Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

BALANCE SHEET

AS AT FEBRUARY 28, 2017

	2017	2016
ASSETS		
Current assets		
Cash	\$ 1,487,844	\$ 1,420,073
Marketable securities (note 2)	572,098	1,023,907
Prepaid expenses	41,626	18,877
Sundry receivables	-	13,020
	2,101,568	2,475,877
Marketable securities (note 2)	605,767	384,316
Capital assets (note 3)	179,603	82,148
	2,886,938	2,942,341
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	71,821	86,476
Deferred revenue - registration fees (note 1)	1,445,150	1,412,450
Obligation under a capital lease - current portion (note 6)	10,469	-
	1,527,440	1,498,926
Obligation under a capital lease - long term portion (note 6)	45,113	-
	1,572,553	1,498,926
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	345,173	400,000
Fees stabilization reserve	150,000	150,000
Invested in capital assets	69,193	82,148
Operating - unrestricted	80,019	141,267
	1,314,385	1,443,415
	\$ 2,886,938	\$ 2,942,341

Approved on behalf of the Council:

_____, President _____, Member

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2017

	2017	2016
Revenues		
Registration and renewal fees	\$ 1,622,717	\$ 1,584,863
Application fees	15,470	15,450
Investment income (note 5)	26,815	24,246
E-Health Ontario project funding	-	48,424
	1,665,002	1,672,983
Expenses		
Salaries and benefits	973,309	844,882
Office operations		
Rent	143,436	143,456
All other - operations	129,126	129,320
Quality assurance portfolio and standards assessment	28,015	57,259
Depreciation (note 3)	46,831	19,398
Professional fees	76,617	58,037
Bank, credit card charges and interest (note 6)	55,214	45,534
Staff travel	22,867	21,919
Stationery and office supplies	22,804	13,718
Equipment maintenance and rental	14,625	18,578
Telephone	10,613	10,725
Postage and delivery	2,401	8,946
Minor equipment and software purchases	3,816	3,363
Printing	8,462	4,868
Insurance	3,986	4,283
	568,813	539,404
Council and committee		
Travel, accommodation and meals	31,143	29,216
Per diem	39,817	19,100
Other meeting expenses	21,831	12,138
Education and training	1,482	6,387
	94,273	66,841
Special Projects		
20th Anniversary event	-	100
Scope of practice	83,815	83,812
Quality assurance	465	4,596
Standard of practice	28,465	-
Infection control	2,223	-
Competency assessment	5,709	36,164
Behind the Scenes	36,960	-
	157,637	124,672
Total operating expenses	1,794,032	1,575,799
Excess (deficiency) of revenues over expenses for the year	\$ (129,030)	\$ 97,184

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28, 2017

	2017								2016
	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	\$ 82,148	\$ 141,267	\$ 1,443,415	\$ 1,346,231
Excess (deficiency) of revenues over expenses for the year	-	-	-	-	-	-	(129,030)	(129,030)	97,184
	20,000	500,000	150,000	400,000	150,000	82,148	12,237	1,314,385	1,443,415
Inter-fund transfers representing									
Depreciation expense	-	-	-	-	-	(46,831)	46,831	-	-
Purchase of furniture and equipment	-	-	-	-	-	89,458	(89,458)	-	-
Capital lease obligation	-	-	-	-	-	(60,700)	60,700	-	-
Repayment of capital lease obligation	-	-	-	-	-	5,118	(5,118)	-	-
Other	-	-	-	(54,827)	-	-	54,827	-	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 345,173	\$ 150,000	\$ 69,193	\$ 80,019	\$ 1,314,385	\$ 1,443,415

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2017

	2017	2016
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,670,887	\$ 1,771,400
Interest received	32,058	36,493
Cash paid to employees and suppliers	(1,770,695)	(1,537,514)
Interest paid on capital lease obligation	(891)	-
Cash received from E-Health	-	35,404
	(68,641)	305,783
Cash flows from financing and investing activities		
Redemption of marketable securities, net	225,116	200,193
Purchase of furniture and equipment	(144,286)	(41,719)
Proceeds from capital lease obligation	60,700	-
Repayment of capital lease obligation	(5,118)	-
	136,412	158,474
Change in cash during the year	67,771	464,257
Cash - at beginning of year	1,420,073	955,816
Cash - at end of year	\$ 1,487,844	\$ 1,420,073

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

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, marketable securities other than those quoted in an active market, accounts payable and accrued liabilities and obligation under a capital lease.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

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. Marketable securities other than those quoted in an active market 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 $\frac{1}{3}$ %
Software - mobile app	- 33 $\frac{1}{3}$ %
Database	- 20%
Equipment under capital lease	- 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 2017.

Equipment Under Capital Lease

The College leases equipment on terms which transfer substantially all of the benefits and risks of the ownership to the College. The lease is accounted for as a capital lease as though an asset has been purchased and a liability incurred.

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.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. MARKETABLE SECURITIES

Details of marketable securities are as follows:

	2017	2016
Short-Term		
Home Trust Company - Guaranteed Investment Certificate at 1.66%, due April 18, 2017	\$ 141,419	\$ -
Home Trust Company - Guaranteed Investment Certificate at 1.70%, due June 22, 2017	202,347	-
Home Trust Company - Guaranteed Investment Certificate at 1.47%, due January 26, 2018	105,195	-
Home Trust Company - Guaranteed Investment Certificate at 1.75%, due June 6, 2016	-	206,614
Equitable Trust Company - Guaranteed Investment Certificate at 1.65%, due April 28, 2016	-	208,851
Provincial government bond coupons, due June 2, 2016	-	187,572
Provincial government bond coupons, due February 26, 2017	-	325,426
CIBC High Interest Savings Account	123,137	-
CIBC High Interest Savings Account	-	-
B2B Trust High Interest Investment Account	-	76,925
RBC Investment Savings Account	-	18,519
	572,098	1,023,907
Long-Term		
Home Trust Company - Guaranteed Investment Certificate at 1.91%, due April 20, 2018	215,495	-
Home Trust Company - Guaranteed Investment Certificate at 2.04%, due December 4, 2018	390,272	384,316
	605,767	384,316
	\$ 1,177,865	\$ 1,408,223

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

2. MARKETABLE SECURITIES (continued)

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	
			2017	2016
Office furniture and equipment	\$ 66,593	\$ 45,216	\$ 21,377	\$ 29,928
Office equipment under capital lease	60,700	6,070	54,630	-
Computer equipment and software	28,632	22,200	6,432	5,745
Database	255,969	245,457	10,512	16,869
Software - mobile app	84,433	14,072	70,361	29,606
Leasehold improvements	139,900	123,609	16,291	-
	\$ 636,227	\$ 456,624	\$ 179,603	\$ 82,148

Depreciation of the office equipment under capital lease was \$6,070.

4. CREDIT FACILITIES

The College has a credit facility with the 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

Investment income is comprised of the following:

	2017	2016
Interest income	\$ 32,058	\$ 36,493
Loss on disposal	(13,045)	-
Unrealized gain (loss) on investments	7,802	(12,247)
	\$ 26,815	\$ 24,246

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

6. OBLIGATION UNDER CAPITAL LEASE

The College is committed to future minimum payments for a capital lease of equipment expiring May 6, 2022 as follows:

Year ending February 28, 2017	\$	60,096
Less amount representing future interest rate at 3%		4,514
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Balance of obligation		55,582
Current portion		10,469
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Long term portion	\$	45,113
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During the year, interest paid on the capital lease obligation was \$891.

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 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, obligations under capital lease and premise lease 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. LEASE COMMITMENT

The College is committed to annual minimum payments under an operating lease for office premises expiring December 2019 as follows:

Fiscal year February 28,	2018	\$	54,030
	2019		54,030
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			\$ 108,060
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In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2017 amounted to approximately \$89,000 (2016 - \$89,000).

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2017

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.