

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Council of the
College of Respiratory Therapists of Ontario

We have audited the accompanying financial statements of College of Respiratory Therapists of Ontario, which comprise the balance sheet as at February 28, 2018 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Ontario
June 1, 2018

Chartered Professional Accountants
Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

BALANCE SHEET

AS AT FEBRUARY 28, 2018

	2018	2017
ASSETS		
Current assets		
Cash	\$ 1,410,579	\$ 1,487,844
Investments (note 2)	1,203,403	1,177,865
Prepaid expenses	49,505	41,626
	2,663,487	2,707,335
Capital assets (note 3)	239,454	179,603
	2,902,941	2,886,938
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	148,100	71,821
Deferred revenue - registration fees (note 1)	1,683,087	1,445,150
Obligation under a capital lease - current portion (note 6)	10,786	10,469
	1,841,973	1,527,440
Obligation under a capital lease - long term portion (note 6)	34,327	45,113
	1,876,300	1,572,553
NET ASSETS		
Internally restricted		
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	345,173
Fees stabilization reserve	-	150,000
Invested in capital assets	139,511	69,193
Unrestricted		
Operating fund	(128,043)	80,019
	1,026,641	1,314,385
	\$ 2,902,941	\$ 2,886,938

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Council:

_____, President _____, Member

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2018

	2018	2017
Revenues		
Registration and renewal fees	\$ 1,682,290	\$ 1,622,717
Application fees	16,820	15,470
Investment income (note 5)	18,501	26,815
	1,717,611	1,665,002
Expenses		
Salaries and benefits	1,062,049	962,049
Office operations		
Rent	141,157	143,436
All other - operations	169,682	129,126
Quality assurance portfolio and standards assessment	64,383	28,015
Depreciation (note 3)	86,922	46,831
Professional fees	117,609	87,877
Bank, credit card charges and interest (note 6)	83,270	55,214
Staff travel	9,000	22,867
Stationery and office supplies	14,112	22,804
Equipment maintenance and rental	843	14,625
Telephone	10,651	10,613
Postage and delivery	5,662	2,401
Minor equipment and software purchases	5,354	3,816
Printing	7,610	8,462
Insurance	4,473	3,986
	720,728	580,073
Council and committee		
Travel, accommodation and meals	26,310	31,143
Per diem	43,095	39,817
Other meeting expenses	14,631	21,831
Education and training	4,633	1,482
	88,669	94,273
Special Projects		
Scope of practice	83,899	83,815
Quality assurance	-	465
Standard of practice	42,901	28,465
Infection control	-	2,223
Competency assessment	-	5,709
Behind the Scenes	7,109	36,960
	133,909	157,637
Total operating expenses	2,005,355	1,794,032
Deficiency of revenues over expenses for the year	\$ (287,744)	\$ (129,030)

The accompanying notes are an integral part of these financial statements

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 28, 2018

	Abuse Therapy Fund	General Contingency Reserve Fund	General Investigations and Hearings Fund	Special Projects Reserve	Fees Stabilization Reserve	Invested In Capital Assets	Operating Fund	2018 Total
Balance - at beginning of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 345,173	\$ 150,000	\$ 69,193	\$ 80,019	\$ 1,314,385
Excess (deficiency) of revenues over expenses for the year	-	-	-	-	-	-	(287,744)	(287,744)
	20,000	500,000	150,000	345,173	150,000	69,193	(207,725)	1,026,641
Inter-fund transfers representing								
Depreciation expense	-	-	-	-	-	(86,922)	86,922	-
Purchase of furniture and equipment	-	-	-	-	-	146,771	(146,771)	-
Repayment of capital lease obligation	-	-	-	-	-	10,469	(10,469)	-
Fee stabilization	-	-	-	-	(150,000)	-	150,000	-
Balance - at end of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 345,173	\$ -	\$ 139,511	\$ (128,043)	\$ 1,026,641

	Abuse Therapy Fund	General Contingency Reserve Fund	General Investigations and Hearings Fund	Special Projects Reserve	Fees Stabilization Reserve	Invested In Capital Assets	Operating Fund	2017 Total
Balance - at beginning of year	\$ 20,000	\$ 500,000	\$ 150,000	\$ 400,000	\$ 150,000	\$ 82,148	\$ 141,267	\$ 1,443,415
Excess (deficiency) of revenues over expenses for the year	-	-	-	-	-	-	(129,030)	(129,030)
	20,000	500,000	150,000	400,000	150,000	82,148	12,237	1,314,385
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

The accompanying notes are an integral part of these financial statements

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2018

	2018	2017
Cash flows from operating activities		
Cash received from registration and application fees	\$ 1,937,047	\$ 1,670,887
Interest received	12,181	32,058
Cash paid to employees and suppliers	(1,848,485)	(1,770,695)
Interest paid on capital lease obligation	(1,550)	(891)
	<u>99,193</u>	<u>(68,641)</u>
Cash flows from financing activities		
Repayment of capital lease obligation	(10,469)	(5,118)
	<u>(10,469)</u>	<u>(5,118)</u>
Cash flows from investing activities		
Redemption/disposal of investments	664,730	1,722,447
Purchase of investments	(683,948)	(1,497,331)
Purchase of furniture and equipment	(146,771)	(83,586)
	<u>(165,989)</u>	<u>141,530</u>
Change in cash during the year	(77,265)	67,771
Cash - at beginning of year	1,487,844	1,420,073
Cash - at end of year	<u>\$ 1,410,579</u>	<u>\$ 1,487,844</u>

The accompanying notes are an integral part of these financial statements

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2018

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.
- (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 of its financial assets and financial liabilities at amortized cost except for investments 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, investments other than those quoted in an active market and accounts payable and accrued liabilities.

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair value. 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 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 2018.

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. Amounts invested in capital assets are net of the outstanding capital lease obligations.

Revenue Recognition

The College's principal source of revenue is registration fees which are recognized as revenue in the year 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 recognized 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 recognized 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, 2018

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, include useful lives of capital assets and valuation of other assets and liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected years.

2. INVESTMENTS

Details of investments are as follows:

	2018	2017
Home Trust Company - Guaranteed Investment Certificate at 1.91%, due April 20, 2018	\$ 215,483	\$ 215,495
Home Trust Company - Guaranteed Investment Certificate at 2.04%, due Dec 4, 2018	104,618	-
Home Bank Company - Guaranteed Investment Certificate at 2.04%, due Dec 4, 2018	293,592	-
Canadian Imperial Bank of Commerce - Guaranteed Investment Certificate at 1.30%, due Apr 24, 2018	475,189	-
Equitable Bank Company - Guaranteed Investment Certificate at 1.55%, due June 26, 2018	60,630	-
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 2.04%, due December 4, 2018	-	390,272
Canada T-Bills, due May 31, 2018	46,865	-
Renaissance High Interest Savings Account	7,026	-
CIBC High Interest Savings Account	-	123,137
	\$ 1,203,403	\$ 1,177,865

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2018

2. INVESTMENTS (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. The College has formal policies and procedures for investment transactions and investments are made on the advice of the investment advisor. The College's investments consist of, mainly, the fixed income instruments and are primarily exposed to interest rate risk and credit risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income instruments 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.

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 credit risk with respect to investments is minimized by investing through reputable financial institutions and on the advice of the investment advisor.

3. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value 2018</i>
Office furniture and equipment	68,394	53,947	14,447
Office equipment under capital lease	60,700	18,210	42,490
Computer equipment and software	28,633	25,692	2,941
Database	386,963	263,362	123,601
Software - mobile app	84,434	42,217	42,217
Leasehold improvements	153,876	140,118	13,758
	\$ 783,000	\$ 543,546	\$ 239,454

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value 2017</i>
Office furniture and equipment	\$ 66,593	\$ 45,216	\$ 21,377
Office equipment under capital lease	60,700	6,070	54,630
Computer equipment and software	28,632	22,200	6,432
Database	255,969	245,457	10,512
Software - mobile app	84,433	14,072	70,361
Leasehold improvements	139,900	123,609	16,291
	636,227	456,624	179,603

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2018

3. CAPITAL ASSETS (continued)

Total depreciation of \$86,922 (\$46,831 - 2017) has been included in the Statement of Operations.

Depreciation of the office equipment under capital lease was \$12,140.

4. CREDIT FACILITY

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 INCOME

Investment income is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 18,220	\$ 32,058
Realized gain on investments	(3,867)	(13,045)
Unrealized gain on investments	4,148	7,803
	<u>\$ 18,501</u>	<u>\$ 26,816</u>

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:

	<u>2018</u>	<u>2017</u>
Opening balance	\$ 55,582	\$ -
Purchase of obligation	-	60,096
Less amount representing future interest rate at 3%	10,469	4,514
Balance of obligation	<u>45,113</u>	<u>55,582</u>
Current portion	10,786	10,469
Long term portion	<u>\$ 34,327</u>	<u>\$ 45,113</u>

During the year, interest paid on the capital lease obligation was \$1,550 (2017 - \$891).

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2018

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 exposed to credit risk with respect to cash and investments.

The credit risk with respect to cash is minimized by maintaining cash accounts in reputable financial institutions with high quality credit ratings. The credit risk with respect to the investments is disclosed in note 2.

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.

There have been no changes to the College's financial instrument risk exposure from the prior year.

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,	2019	\$	54,030
	2020		45,025
		\$	99,055

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2018 amounted to approximately \$87,000 (2017 - \$89,000).