COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2019

HILBORN LLP

Independent Auditor's Report

To the Council of the College of Respiratory Therapists of Ontario

Opinion

We have audited the financial statements of the College of Respiratory Therapists of Ontario (the "College"), which comprise the balance sheet as at February 28, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as at February 28, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the ability of the College to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the College.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the College.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the College to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hilborn LLP

Toronto, Ontario	Chartered Professional Accountants
May 31, 2019	Licensed Public Accountants

COLLEGE OF RESPIRATORY THERAPISTS OF ONTARIO

BALANCE SHEET

AS AT FEBRUARY 28, 2019

		2019		2018
ASSETS				
Current assets				
Cash	**$**	**1,532,034**	$	1,410,579
Investments *(note 3)*		**1,227,462**		1,203,403
Prepaid expenses		**48,115**		49,505
		2,807,611		2,663,487
Capital assets *(note 4)*		**176,396**		239,454
		2,984,007		2,902,941
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**218,042**		148,100
Deferred revenue - registration fees *(note 1)*		**1,905,819**		1,683,087
Obligation under a capital lease - current portion *(note 7)*		**11,114**		10,786
		2,134,975		1,841,973
Obligation under a capital lease - long term portion *(note 7)*		**23,213**		34,327
		2,158,188		1,876,300
NET ASSETS				
Internally restricted				
Abuse therapy fund		**50,000**		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
Invested in capital assets		**87,242**		139,511
Unrestricted				
Operating fund		**(306,596)**		(128,043)
		825,819		1,026,641
	$	**2,984,007**	$	2,902,941

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, 2019

	2019	2018
Revenues		
Registration and renewal fees	**$ 1,915,361**	$ 1,682,290
Application fees	**17,475**	16,820
Investment income *(note 6)*	**31,429**	18,501
	1,964,265	1,717,611
Expenses		
Salaries and benefits	**1,256,770**	1,062,049
Office operations		
Rent	**145,105**	141,157
All other - operations	**162,525**	169,682
Quality assurance portfolio and standards assessment	**29,805**	64,383
Depreciation *(note 4)*	**90,975**	86,922
Professional fees	**153,561**	117,609
Bank, credit card charges and interest *(note 7)*	**70,202**	83,270
Staff travel	**21,537**	9,000
Stationery and office supplies	**16,411**	14,112
Equipment maintenance and rental	**560**	843
Telephone	**12,757**	10,651
Postage and delivery	**8,226**	5,662
Minor equipment and software purchases	**3,666**	5,354
Printing	**15,935**	7,610
Insurance	**4,935**	4,473
	736,200	720,728
Council and committee		
Travel, accommodation and meals	**30,222**	26,310
Per diem	**52,181**	43,095
Other meeting expenses	**6,077**	14,631
Education and training	**3,754**	4,633
	92,234	88,669
Special Projects		
Scope of practice	**77,497**	83,899
Standard of practice (recovery)	**(9,478)**	42,901
Behind the Scenes	**11,864**	7,109
	79,883	133,909
Total operating expenses	**2,165,087**	2,005,355
Deficiency of revenues over expenses for the year	**$ (200,822)**	$ (287,744)

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, 2019

	Abuse Therapy Fund	**General Contingency Reserve Fund**	**General Investigations and Hearings Fund**	**Special Projects Reserve**	**Fees Stabilization Reserve**	**Invested In Capital Assets**	**Operating Fund**	**2019 Total**
Balance - at beginning of year	**$ 20,000**	**$ 500,000**	**$ 150,000**	**$ 345,173**	**$ -**	**$ 139,511**	**$ (128,043)**	**$ 1,026,641**
Deficiency of revenues over expenses for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(200,822)**	**(200,822)**
	20,000	**500,000**	**150,000**	**345,173**	**-**	**139,511**	**(328,865)**	**825,819**
Inter-fund transfers representing								
Depreciation expense	**-**	**-**	**-**	**-**	**-**	**(90,975)**	**90,975**	**-**
Purchase of furniture and equipment	**-**	**-**	**-**	**-**	**-**	**27,920**	**(27,920)**	**-**
Repayment of capital lease obligation	**-**	**-**	**-**	**-**	**-**	**10,786**	**(10,786)**	**-**
Allocation to Abuse Therapy fund	**30,000**	**-**	**-**	**-**	**-**	**-**	**(30,000)**	**-**
Balance - at end of year	**$ 50,000**	**$ 500,000**	**$ 150,000**	**$ 345,173**	**$ -**	**$ 87,242**	**$ (306,596)**	**$ 825,819**

	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
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

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, 2019

	2019	2018
Cash flows from operating activities		
Cash received from registration and application fees	**$ 2,155,569**	$ 1,937,047
Interest received	**34,465**	12,181
Cash paid to employees and suppliers	**(2,001,543)**	(1,848,485)
Interest paid on capital lease obligation	**(1,233)**	(1,550)
	187,258	99,193
Cash flows from financing activity		
Repayment of capital lease obligation	**(10,786)**	(10,469)
	(10,786)	(10,469)
Cash flows from investing activities		
Redemption/disposal of investments	**1,177,397**	664,730
Purchase of investments	**(1,204,494)**	(683,948)
Purchase of furniture and equipment	**(27,920)**	(146,771)
	(55,017)	(165,989)
Change in cash during the year	**121,455**	(77,265)
Cash - at beginning of year	**1,410,579**	1,487,844
Cash - at end of year	**$ 1,532,034**	$ 1,410,579

The accompanying notes are an integral part of these financial statements

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 for the specific purpose of minimizing or delaying the impact of year-over-year changes in revenues and expenses on membership renewal fees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The College's principal source of revenue is registration and renewal 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.

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 in marketable securities, 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, accounts payable and accrued liabilities and obligation under a capital lease.

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. For investments in guaranteed investment certificates, fair value is estimated at the cost of investments adjusted with the interest earned but not received.

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	-	$33^1/_3$%
Software - mobile app	-	$33^1/_3$%
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 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 and concentrations.

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 3.

Liquidity Risk

Liquidity risk is the risk that the College cannot repay its obligations when they become due to its creditors. The College is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, obligation under capital lease and 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 risk.

2. *FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)*

Market Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The value of fixed income instruments will generally rise if interest rates falls and decrease if interest rates rise. The College is exposed to interest rate risk with respect to its investment holdings in Guaranteed Investment Certificates ("GIC"). Details of investment holdings are disclosed in note 3.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The College is exposed to other price risk, which is the potential loss that the College may incur with respect to the changes in fair value of investments. Details of investment holdings are disclosed in note 3.

Changes in risks

There have been no changes in the College's risk exposure from the prior year.

3. INVESTMENTS

Details of investments are as follows:

	2019	*2018*
Guaranteed Investment Certificates and Treasury Bills		
Canadian Western Bank - Guaranteed Investment Certificate at 2.25%, due April 23, 2019	**$ 216,070**	$ -
Home Trust Company - Guaranteed Investment Certificate at 2.73%, due December 5, 2019	**100,641**	-
Industrial & Commercial Bank of China - Guaranteed Investment Certificate at 2.75%, due December 5, 2019	**100,646**	-
Canadian Imperial Bank of Commerce - Guaranteed Investment Certificate at 2.20%, due April 24, 2019	**485,006**	-
Concentra Bank - Guaranteed Investment Certificate at 2.70%, due June 29, 2020	**62,259**	-
Home Trust Company - Guaranteed Investment Certificate at 1.91%, due April 20, 2018	**-**	215,483
Home Trust Company - Guaranteed Investment Certificate at 2.04%, due December 4, 2018	**-**	104,618
Home Bank Company - Guaranteed Investment Certificate at 2.04%, due December 4, 2018	**-**	293,592
Equitable Bank Company - Guaranteed Investment Certificate at 1.55%, due June 26, 2018	**-**	60,630
Canadian Imperial Bank of Commerce - Guaranteed Investment Certificate at 1.30%, due April 24, 2018	**-**	475,189
Canada T-Bills, due May 31, 2019	**50,789**	-
Canada T-Bills, due May 31, 2018	**-**	46,865
	1,015,411	1,196,377
Mutual funds		
Renaissance High Interest Savings Account	**111,797**	7,026
CIBC High Interest Savings Account	**100,254**	-
	212,051	7,026
	$ 1,227,462	$ 1,203,403

3. 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. Investments are primarily exposed to credit risk, interest rate and other price risks. The College has formal policies and procedures for investment transactions and the majority of investments are made on the advice of the portfolio manager. Credit risk, interest rate and other price risks are disclosed in note 2.

4. CAPITAL ASSETS

Details of capital assets are as follows:

	Cost	*Accumulated Depreciation*	*Net Book Value 2019*
Office furniture and equipment	**68,394**	**62,858**	**5,536**
Office equipment under capital lease	**60,700**	**30,350**	**30,350**
Computer equipment and software	**31,457**	**28,506**	**2,951**
Database	**404,261**	**294,824**	**109,437**
Software - mobile app	**92,230**	**70,361**	**21,869**
Leasehold improvements	**153,876**	**147,623**	**6,253**
	$ 810,918	**$ 634,522**	**$ 176,396**

	Cost	*Accumulated Depreciation*	*Net Book Value 2018*
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

Total depreciation of $87,645 and ($86,922 - 2018) has been included in the Statement of Operations.

Depreciation of the office equipment under capital lease was $12,140 ($12,140 - 2018).

5. 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.

6. INVESTMENT INCOME

Investment income is comprised of the following:

		2019		*2018*
Interest income	**$**	**30,819**	$	18,501
Distributions from mutual funds		**610**		-
	$	**31,429**	$	18,501

7. OBLIGATION UNDER CAPITAL LEASE

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

		2019		*2018*
Opening balance	**$**	**45,113**	$	55,582
Less amount representing future interest rate at 3%		**10,786**		10,469
Balance of obligation		**34,327**		45,113
Current portion		**11,114**		10,786
Long term portion	**$**	**23,213**	$	34,327

During the year, interest paid on the capital lease obligation was $1,233 ($1,550 - 2018).

8. LEASE COMMITMENT

The College is committed to annual minimum payments under an operating lease for office premises expiring December 2019. The minimum lease payments over the remaining term is $45,025.

In addition, the College is responsible for its share of annual operating costs and realty taxes on the premises, which in 2019 amounted to approximately $84,000 (2018 - $87,000).