

**COTAPSA INC.**  
**Financial Statements**  
**Year Ended September 30, 2012**

**COTAPSA INC.**  
**Index to Financial Statements**  
**Year Ended September 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of COTAPSA Inc.

We have audited the accompanying financial statements of COTAPSA Inc., which comprise the statement of financial position as at September 30, 2012 and the statements of revenues and expenditures, 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of COTAPSA Inc. as at September 30, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that COTAPSA Inc. adopted Canadian accounting standards for not-for-profit organizations on October 1, 2011 with a transition date of October 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at September 30, 2011 and October 1, 2010 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended September 30, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

A handwritten signature in black ink that reads "Robert Gore & Associates". The signature is written in a cursive, flowing style.

Toronto, Ontario  
December 5, 2012

CHARTERED ACCOUNTANTS  
Licensed Public Accountants

**COTAPSA INC.**  
**Statement of Financial Position**  
**September 30, 2012**

	2012	2011
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 89,751	\$ 205,445
Term deposits	614,731	458,938
Accounts receivable	13,416	13,832
	717,898	678,215
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	6,673	3,662
	\$ 724,571	\$ 681,877
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 18,895	\$ 8,797
<b>NET ASSETS</b>		
General fund	631,979	599,383
Special fund	73,697	73,697
	705,676	673,080
	\$ 724,571	\$ 681,877

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ *Owner*

\_\_\_\_\_ *Owner*

*See accompanying notes*

**COTAPSA INC.**  
**Statement of Revenues and Expenditures**  
**Year Ended September 30, 2012**

	2012	2011
<b>REVENUES</b>		
Member dues	\$ 449,184	\$ 453,583
Interest income	11,804	8,606
Other income	2,441	1,797
	<u>463,429</u>	<u>463,986</u>
<b>EXPENDITURES</b>		
Advertising and promotion	2,653	2,766
Amortization	1,537	1,151
Consulting fees	15,195	9,728
Equipment rentals	2,754	5,271
Insurance	4,077	4,039
Legal fees	66,067	34,315
Meetings and conventions	2,942	3,791
Miscellaneous	3,528	14,723
Office	6,965	7,935
Professional fees	9,021	6,900
Salaries and wages	311,129	298,052
Staff and board expenses	831	1,659
Telephone and website	1,898	5,913
Training	2,236	3,724
	<u>430,833</u>	<u>399,967</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<u>32,596</u>	64,019
<b>SPECIAL FUND EXPENSES</b>		
Legal fees	-	(14,904)
Salaries and wages	-	(4,274)
	<u>-</u>	<u>(19,178)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 32,596</u>	<u>\$ 44,841</u>

See accompanying notes

**COTAPSA INC.**  
**Statement of Changes in Net Assets**  
**Year Ended September 30, 2012**

	General Fund	Special Fund	<b>2012</b>	2011
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 599,383	\$ 73,697	<b>\$ 673,080</b>	\$ 628,239
Excess of revenues over expenditures	32,596	-	<b>32,596</b>	44,841
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 631,979</b>	<b>\$ 73,697</b>	<b>\$ 705,676</b>	<b>\$ 673,080</b>

*See accompanying notes*

**COTAPSA INC.**  
**Statement of Cash Flows**  
**Year Ended September 30, 2012**

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 32,596	\$ 44,841
Item not affecting cash:		
Amortization of property, plant and equipment	1,537	1,151
	<u>34,133</u>	<u>45,992</u>
Changes in non-cash working capital:		
Accounts receivable	416	(1,883)
Accounts payable	10,099	(11,057)
Prepaid expenses	-	1,670
	<u>10,515</u>	<u>(11,270)</u>
Cash flow from operating activities	<u>44,648</u>	<u>34,722</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,549)	-
Term deposits	(155,793)	148,634
Cash flow from (used by) investing activities	<u>(160,342)</u>	<u>148,634</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(115,694)</b>	<b>183,356</b>
Cash - beginning of year	<u>205,445</u>	<u>22,089</u>
<b>CASH - END OF YEAR</b>	<b>\$ 89,751</b>	<b>\$ 205,445</b>

*See accompanying notes*

**COTAPSA INC.**  
**Notes to Financial Statements**  
**Year Ended September 30, 2012**

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**1. DESCRIPTION OF BUSINESS**

COTAPSA Inc. (City of Toronto Administrative Professional and Supervisory Association Incorporated) is incorporated under the Business Corporations Act of Ontario. The association's principal business activity is to provide legal and advocacy services to its members. For Canadian Income tax purposes, COTAPSA Inc. qualifies as a not-for-profit organization which is exempt from income tax under the Income Tax Act.

**2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

During the year the association adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The adoption of ASNPO had no impact on net assets as at October 1, 2010 or revenues and expenditures or cash flows and net assets for the year ended September 30, 2011 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund accounting

COTAPSA Inc. follows the restricted fund method of accounting for contributions.

The general fund accounts for the association's program delivery and administrative activities. This fund reports contributions from its members and expenses related to the operations and administration of the association. Members contribute on a voluntary basis at the rate of ten dollars per payroll cycle. The current year surplus in operations is \$32,596 (2011 - \$64,019) and the balance at the end of fiscal 2012 is \$631,979 (see Statement of Changes in Net Assets).

The special fund now reports mainly legal and payroll costs for any collective defense matters which may arise. The special fund represents funding net of expenses for an employment standards action which was completed in 2009. The Members have chosen to retain this fund for any collective defense matters which may arise including legal representation and labour relations expertise. Any use of funds is subject to approval of the Members at a special Members' meeting. The Members approved nil expenditures in the current year (2011 - \$19,178) and the balance at the end of fiscal 2012 is \$73,697 (see Statement of Changes in Net Assets).

Measurement uncertainty

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 amount 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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**COTAPSA INC.**  
**Notes to Financial Statements**  
**Year Ended September 30, 2012**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives on a declining balance basis at the following rates:

Office equipment	20%
Computer equipment	30%

The association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of Long Lived Assets

The association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue recognition

The association recognizes revenues when they are earned. The association's primary source of revenue is the fees paid by members. Membership in the organization is voluntary and the fees are deducted from the members' payroll by the City of Toronto. The fees are remitted to the association by the city in conjunction with its regular payroll cycle.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated amortization	<b>2012 Net book value</b>	2011 Net book value
Office equipment	\$ 23,262	\$ 21,223	\$ 2,039	\$ 2,342
Computer equipment	25,921	21,287	<b>4,634</b>	1,320
	<b>\$ 49,183</b>	<b>\$ 42,510</b>	<b>\$ 6,673</b>	<b>\$ 3,662</b>

**COTAPSA INC.**  
**Notes to Financial Statements**  
**Year Ended September 30, 2012**

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**5. FINANCIAL INSTRUMENTS**

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of September 30, 2012.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is not exposed to credit risk from customers as revenue is in the form of voluntary contributions. The association has a significant number of members which minimizes any concentration of credit risk.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, and accounts payable.

**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 rate risk, interest rate risk and other price risk. The association is mainly exposed to interest rate risk.

**Currency risk**

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The association is not exposed to foreign currency exchange risk.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The association is exposed to interest rate risk primarily through its term deposits.

**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 association is not exposed to other price risk.