

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018

HILBORN_{LLP}

Independent Auditor's Report

To the Directors of Canadian Massage Therapy Council for Accreditation

Opinion

We have audited the financial statements of Canadian Massage Therapy Council for Accreditation (the "Council"), which comprise the statement of financial position as at December 31, 2018, 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 Council as at December 31, 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.

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 Council 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 Council 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 Council 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 Council.

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:

Independent Auditor's Report (continued)

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

- ♦ 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 Council.
- ♦ 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 Council 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 Council 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
March 26, 2019

Chartered Professional Accountants
Licensed Public Accountants

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Statement of Financial Position

December 31	2018 \$	2017 \$
ASSETS		
Current assets		
Cash	69,274	136,157
Accounts receivable	13,317	12,785
Prepaid expenses	2,146	2,133
HST recoverable	15,132	-
	<u>99,869</u>	<u>151,075</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	23,613	22,792
HST payable	-	1,407
Deferred revenue	1,000	8,900
	<u>24,613</u>	<u>33,099</u>
NET ASSETS	<u>75,256</u>	<u>117,976</u>
	<u>99,869</u>	<u>151,075</u>

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director



CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Statement of Operations

Year ended December 31	2018 \$	2017 \$
Revenues		
Annual fees from provincial regulators and associations (note 4)	357,544	354,090
Annual fees from schools and programs	55,066	31,122
Preliminary accreditation fees	28,000	9,500
Site visit fees	16,784	8,413
Advisor training fees	12,352	-
	<u>469,746</u>	<u>403,125</u>
Expenses		
Management and administrative fees (note 5)	325,250	256,500
Surveyor training	70,171	-
Board and Committee meetings	20,726	29,810
Rent (note 5)	16,480	19,200
Professional fees	24,174	16,910
Office and general	19,677	14,162
Preliminary accreditation	19,350	7,200
Site visit	10,435	7,810
Insurance	4,619	4,585
Representation	1,584	82
	<u>512,466</u>	<u>356,259</u>
Excess of revenues over expenses (expenses over revenues) for year	<u>(42,720)</u>	<u>46,866</u>

Statement of Changes in Net Assets

Year ended December 31	2018 \$	2017 \$
Balance, beginning of year	117,976	71,110
Excess of revenues over expenses (expenses over revenues) for year	<u>(42,720)</u>	<u>46,866</u>
Balance, end of year	<u>75,256</u>	<u>117,976</u>

The accompanying notes are an integral part of these financial statements

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Statement of Cash Flows

Year ended December 31	2018 \$	2017 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	(42,720)	46,866
Change in non-cash working capital items		
Increase in accounts receivable	(532)	(1,183)
Increase in prepaid expenses	(13)	(49)
Increase in HST recoverable	(15,132)	-
Increase in accounts payable and accrued liabilities	821	17,706
Increase (decrease) in HST payable	(1,407)	1,407
Increase (decrease) in deferred revenue	(7,900)	6,400
Net change in cash	(66,883)	71,147
Cash, beginning of year	136,157	65,010
Cash, end of year	69,274	136,157

The accompanying notes are an integral part of these financial statements

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements

December 31, 2018

Nature and description of the organization

Canadian Massage Therapy Council for Accreditation (the "Council") was incorporated under the Canada Not-for-profit Corporations Act on July 22, 2014. The Council is the professional accreditation agency of the massage therapy profession in Canada whose purpose is to provide a mechanism for quality assurance and continuing quality improvement of entry-level massage therapy education programs across Canada.

The Council is a not-for-profit organization, as described in Section 149(1)(l) of the Income Tax Act, and therefore is not subject to income taxes.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

Annual fees

Annual fees are recognized as revenue in the fiscal year to which they relate. The annual year of the Council coincides with that of the fiscal year of the Council, being January 1 to December 31. Annual fees received in advance of the fiscal year to which they relate are recorded as deferred revenue.

Preliminary accreditation fees

Preliminary accreditation fees are recognized as revenue as significant components of the preliminary accreditation process are completed. Preliminary accreditation fees received in advance of significant components of the preliminary accreditation process having been completed are recorded as deferred revenue.

Site visit fees

Site visit fees are recognized as revenue upon completion of site visit assessments. Site visit fees received in advance of the completion of a particular site visit assessment are recorded as deferred revenue.

Advisor training fees

Advisor training fees are recognized as revenue upon completion of advisor training courses. Advisor training fees received in advance of the completion of courses are recorded as deferred revenue.

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements (continued)

December 31, 2018

1. Significant accounting policies (continued)

(b) Related party transactions

A party is considered related to the Council if such party or the Council has the ability to, directly or indirectly, control or exercise significant influence over the other's financial and operating decisions, or if the Council and such party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Transactions with related parties in the normal course of business are initially recorded at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

(c) Financial instruments

Measurement of financial assets and liabilities

The Council initially measures its financial assets and financial liabilities, with the exception of related party transactions, at fair value adjusted by the amount of transaction costs directly attributable to the instrument.

The Council subsequently measures all of its financial assets and financial liabilities at amortized cost.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

At the end of each year, the Council assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Council, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Council determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When the Council identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements (continued)

December 31, 2018

1. Significant accounting policies (continued)

(c) Financial instruments (continued)

Impairment (continued)

- the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- the amount that could be realized by selling the financial asset at the statement of financial position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year the reversal occurs.

(d) Contributed services

The work of the Council is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Council and because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(e) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from the estimates, the impact of which would be recognized in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements (continued)

December 31, 2018

2. Financial instrument risk management

The Council is exposed to various risks through its financial instruments. The following analysis provides a measure of the Council's risk exposure and concentrations.

The financial instruments of the Council and the nature of the risks to which those instruments may be subject, are as follows:

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
			Currency	Interest rate	Other price
Cash	X			X	
Accounts receivable	X				
Accounts payable and accrued liabilities		X			

Credit risk

The Council is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Council could incur a financial loss. The Council does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of the Council to credit risk is as follows:

	2018 \$	2017 \$
Cash	69,274	136,157
Accounts receivable	13,317	12,785
	<u>82,591</u>	<u>148,942</u>

The Council reduces its exposure to the credit risk of cash by maintaining balances with a Canadian financial institution.

Accounts receivable is presented net of an allowance for doubtful accounts in the amount of \$3,955 (2017 - \$nil).

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet a demand for cash or fund its obligations as they come due.

The Council meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and financing activities.

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements (continued)

December 31, 2018

2. Financial instrument risk management (continued)

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 is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instrument will fluctuate due to changes in foreign exchange rates.

The Council is not exposed to currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Council does not use derivative financial instruments to manage its exposure to interest rate risk.

Other price risk

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

The Council is not exposed to other price risk.

Changes in risk

There have been no significant changes in the risk profile of the financial instruments of the Council from that of the prior year.

3. Credit facility

The Council has available a revolving demand facility up to a maximum of \$25,000. The facility bears interest at prime rate plus 1.70% and is secured by a first priority general security agreement.

There are no financial covenants attached to the facility.

The facility was not drawn upon at at December 31, 2018 or December 31, 2017.

CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

Notes to Financial Statements (continued)

December 31, 2018

4. Annual fees from provincial regulators and associations

	2018	2017
	\$	\$
College of Massage Therapists of Ontario ("CMTO")	307,516	306,614
Massage Therapist Association of Alberta ("MTAA")	26,994	23,672
College of Massage Therapists of New Brunswick ("CMTNB")	15,378	15,180
College of Massage Therapists of Newfoundland and Labrador ("CMTNL")	7,656	6,952
Prince Edward Island Massage Therapy Association ("PEIMTA")	-	1,672
	<u>357,544</u>	<u>354,090</u>

The ability of the Council to carry out its mandate is dependent on the financial support of provincial regulators, in particular that of CMTO. Annual fees from CMTO account for 65% (2017 - 76%) of the total revenues of the Council.

Subsequent to year end, CMTO, CMTNB and CMTNL entered into funding agreements with the Council to provide annual fees until December 31, 2021, on a basis that is consistent with the current year. Services in provinces which do not have funding agreements were suspended and will be reinstated upon the execution of a funding agreement with the respective provincial regulator.

5. Related party transactions

During the year, the Council was charged management and administrative fees in the amount of \$325,250 (2017 - \$256,500) and rent in the amount of \$16,480 (2017 - \$19,200) by a company controlled by the Executive Director of the Council.

The scope of management and administration services increased during the current year in response to the realized and projected growth in demand for accreditation services. Additional surveyors were trained to increase the Council's accreditation capacity and the advisor training program was implemented to provide access to support for education programs seeking accreditation.

Included in accounts payable and accrued liabilities at December 31, 2018 is an amount of \$4,360 (2017 - \$6,908) in respect of management and administrative fees.

These related party transactions were carried out in the normal course of operations.

6. Commitment

Pursuant to a professional services agreement, effective July 14, 2018, the Council is committed to purchase management and administrative services, from a company controlled by the Executive Director of the Council, until December 31, 2021. The annual commitment under such agreement is subject to the approval of the Board of Directors each year.

HILBORN

LISTENERS. THINKERS. DOERS.