CANADIAN MASSAGE THERAPY COUNCIL FOR ACCREDITATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

HILBORN LLP

HILBORN LLP

Independent Auditor's Report

To the Board of Directors of
Canadian Massage Therapy Council for Accreditation

We have audited the accompanying financial statements of Canadian Massage Therapy Council for Accreditation, which comprise the statement of financial position as at December 31, 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 organization'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 organization'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 Canadian Massage Therapy Council for Accreditation as at December 31, 2017, 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.

Hilborn LLP

Toronto, Ontario
March 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

December 31	**2017**	**2016**
	$	**$**
ASSETS		
Current assets		
Cash	**136,157**	65,010
Accounts receivable	**12,785**	11,602
Prepaid expenses	**2,133**	2,084
	151,075	78,696
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 3)	**24,199**	5,086
Deferred revenue	**8,900**	2,500
	33,099	7,586
NET ASSETS	**117,976**	71,110
	151,075	78,696

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	2017 $	2016 $
Revenues		
Annual fees from provincial regulators (note 5)	**354,090**	398,527
Annual fees from schools and programs	**31,122**	-
Preliminary accreditation fees	**9,500**	-
Site visit fees	**8,413**	-
Contributions (note 4)	**-**	51,424
	403,125	449,951
Expenses		
Management and administrative fees (note 6)	**256,500**	219,155
Board and Committees meetings	**29,810**	21,056
Rent (note 6)	**19,200**	19,200
Professional fees	**16,910**	9,087
Office and general	**14,162**	7,184
Preliminary accreditation	**7,200**	-
Site visit	**7,810**	-
Insurance	**4,585**	2,084
Representation	**82**	1,601
Surveyor training	**-**	99,474
	356,259	378,841
Excess of revenues over expenses for year	**46,866**	71,110

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

Year ended December 31	2017 $	2016 $
Balance, beginning of year	**71,110**	-
Excess of revenues over expenses for year	**46,866**	71,110
Balance, end of year	**117,976**	71,110

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	2017 $	2016 $
Cash flows from operating activities		
Excess of revenues over expenses for year for year	**46,866**	71,110
Adjustment to determine net cash provided by (used in) operating activities		
Contributions recognized as revenue	**-**	(51,424)
	46,866	19,686
Change in non-cash working capital items		
Decrease (increase) in accounts receivable	**(1,183)**	(11,602)
Decrease (increase) in prepaid expenses	**(49)**	(2,084)
Increase (decrease) in accounts payable and accrued liabilities	**19,113**	(38,948)
Increase in deferred revenue	**6,400**	2,500
Net change in cash during the year	**71,147**	(30,448)
Cash, beginning of year	**65,010**	95,458
Cash, end of year	**136,157**	65,010

The accompanying notes are an integral part of these financial statements

Nature and description of the organization

Canadian Massage Therapy Council for Accreditation ("CMTCA") was incorporated under the Canada Not-for-profit Corporations Act on July 22, 2014. CMTCA 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.

CMTCA 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 CMTCA coincides with that of the fiscal year of CMTCA, being January 1 to December 31. Annual fees received in advance of the fiscal year 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.

Contributions

CMTCA follows the deferral method of accounting for contributions.

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

1. **Significant accounting policies (continued)**

(b) **Related party transactions**

A party is considered related to CMTCA if such party or CMTCA has the ability to, directly or indirectly, control or exercise significant influence over the other's financial and operating decisions, or if CMTCA 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

CMTCA 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.

CMTCA subsequently measures all 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 reporting period, CMTCA 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 CMTCA, 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, CMTCA 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 CMTCA 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:

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 CMTCA is dependent on the voluntary service of many individuals. Since these services are not normally purchased by CMTCA 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 recorded 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.

December 31, 2017

2. Financial instrument risk management

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

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

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

Credit risk

CMTCA 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 CMTCA could incur a financial loss. CMTCA does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of CMTCA to credit risk is as follows:

	2017 $	2016 $
Cash	136,157	65,010
Accounts receivable	12,785	11,602
	148,942	76,612

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

Substantially all accounts receivable have been collected subsequent to year end.

Liquidity risk

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

CMTCA meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

December 31, 2017

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.

CMTCA 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.

CMTCA 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.

CMTCA 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 CMTCA from that of the prior year.

3. **Accounts payable and accrued liabilities**

	2017 $	2016 $
Trade payable and accrued liabilities	22,792	5,086
Government remittances	1,407	-
	24,199	5,086

December 31, 2017

4. Contributions

	2017 $	2016 $
Balance, beginning of year	-	51,424
Contributions recognized as revenue	-	(51,424)
Balance, end of year	-	-

The contributions recognized as revenue in fiscal 2016, represent amounts received from various provincial regulators.

5. Annual fees from provincial regulators

	2017 $	2016 $
College of Massage Therapists of Ontario	306,614	288,508
Massage Therapist Association of Alberta	23,672	22,902
College of Massage Therapists of British Columbia	-	8,929
College of Massage Therapists of New Brunswick	15,180	13,706
College of Massage Therapists of Newfoundland and Labrador	6,952	5,918
Massage Therapist Association of Saskatchewan	-	18,172
Massage Therapists' Association of Nova Scotia	-	18,898
Massage Therapy Association of Manitoba	-	19,954
Prince Edward Island Massage Therapy Association	1,672	1,540
	354,090	398,527

6. Related party transactions

During the year, CMTCA was charged management and administrative fees in the amount of $256,500 (2016 - $219,155) and rent of $19,200 (2016 - $19,200) by a company controlled by the Executive Director of CMTCA.

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

7. Commitment

Pursuant to a professional services agreement, effective July 13, 2015, CMTCA is committed to purchase management and administrative services, from a company controlled by the Executive Director of CMTCA, until July 1, 2018. Future annual commitments under this agreement are approximately $160,000 for fiscal 2018.

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