

2017
Audited Financial
Statements





Financial Statements

College of Massage Therapists of British Columbia

December 31, 2017

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Independent Auditor's Report

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To the Members of
College of Massage Therapists of British Columbia

We have audited the accompanying financial statements of the College of Massage Therapists of British Columbia, 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 13 month period 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 the College of Massage Therapists of British Columbia as at December 31, 2017 and the results of its operations and its cash flows for the 13 month period then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Vancouver, Canada
April 13, 2018



Chartered Professional Accountants

College of Massage Therapists of British Columbia

Statement of Financial Position

December 31, 2017

November 30, 2016

Assets

Current

Cash	\$	2,098,830	\$	611,420
Short-term investments		916,335		300,000
Accounts receivable		86		3,889
Prepaid expenses		59,850		22,004

3,075,101 937,313

Intangible assets (Note 3)

254,729 163,437

Property and equipment (Note 4)

107,200 103,236

\$ 3,437,030 **\$ 1,203,986**

Liabilities

Current

Accounts payable (Note 5)	\$	276,835	\$	92,081
Deferred revenue		2,344,600		869,265

2,621,435 961,346

Deferred lease inducements

14,627 17,878

Deferred rent

4,875 4,785

2,640,937 984,009

Net assets

Unrestricted 296,093 219,977

Internally restricted (Note 6) 500,000 -

796,093 219,977

\$ 3,437,030 **\$ 1,203,986**

Commitments (Note 8)

On behalf of the Board

 Director

 Director

College of Massage Therapists of British Columbia

Statement of Operations

	For the 13 months ended December 31 2017	For the year ended November 30 2016
Income		
Registration fees	\$ 2,286,965	\$ 1,891,664
Examination fees	586,690	466,134
Fines and assessment fees	172,812	62,302
Registration application fees	46,205	36,940
Other income	72,900	30,539
Interest	13,827	5,484
	<u>3,179,399</u>	<u>2,493,063</u>
Expenses		
Office and administration	1,683,633	1,230,404
Registration and entry to practice	404,706	355,552
Complaints and inquiry	192,591	226,965
Discipline	107,784	331,139
Quality assurance	85,941	84,143
Communication and publications	60,666	38,209
Governance	44,783	86,964
Title protection	23,179	-
	<u>2,603,283</u>	<u>2,353,376</u>
Excess of income over expenses	<u>\$ 576,116</u>	<u>\$ 139,687</u>

College of Massage Therapists of British Columbia

Statement of Changes in Net Assets

	Unrestricted	Internally restricted (statutory processes) (Note 6)	Internally restricted (financial reserve) (Note 6)	Total
Balance, December 1, 2015	\$ 80,290	\$ -	\$ -	\$ 80,290
Original transfer	(390,000)	390,000	-	-
Excess (deficiency) of income over expenses	612,606	(472,919)	-	139,687
Additional transfer	(82,919)	82,919	-	-
Balance, November 30, 2016	219,977	-	-	219,977
Original transfer	(1,122,000)	622,000	500,000	-
Excess (deficiency) of income over expenses	899,670	(323,554)	-	576,116
Transfer of unused portion	298,446	(298,446)	-	-
Balance, December 31, 2017	\$ 296,093	\$ -	\$ 500,000	\$ 796,093

College of Massage Therapists of British Columbia

Statement of Cash Flows

	For the 13 months ended December 31 2017	For the year ended November 30 2016
Cash derived from (applied to)		
Operating		
Excess of income over expenses	\$ 576,116	\$ 139,687
Items not affecting cash		
Amortization of deferred lease inducement	(3,251)	(3,249)
Amortization of intangible assets	141,808	70,044
Amortization of property and equipment	60,732	27,311
Deferred rent	90	1,083
	<u>775,495</u>	<u>234,876</u>
Net change in non-cash working capital items		
Accounts receivable	3,803	63,589
Prepaid expenses	(37,846)	(6,227)
Accounts payable	184,754	21,263
Deferred revenue	1,475,335	19,118
	<u>2,401,541</u>	<u>332,619</u>
Investing		
Short-term investments	(616,335)	(204,000)
Acquisition of intangible assets	(233,100)	-
Acquisition of property and equipment	(64,696)	(7,214)
	<u>(914,131)</u>	<u>(211,214)</u>
Increase in cash	1,487,410	121,405
Cash, beginning of year	<u>611,420</u>	<u>490,015</u>
Cash, end of year	<u>\$ 2,098,830</u>	<u>\$ 611,420</u>

See accompanying notes to the financial statements.

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the 13 month period ended December 31, 2017

1. Nature of organization

The College of Massage Therapists of British Columbia (the "College") is the regulatory authority for the massage therapy profession in British Columbia. The College is designated under the Health Professions Act of British Columbia and is a non-taxable entity as defined by the Income Tax Act. It is the duty of the College to serve and protect the public and to exercise its powers and discharge its responsibilities under all enactments in the public interest.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Income from registration fees is recognized over the term of the membership. Deferred revenue represents registration fees that have not yet been earned and registration fees received for membership years that have not yet commenced.

Income from examination fees is recognized when the respective examination occurs.

Income from fines and assessment fees is recognized when the respective fine or assessment is received.

Income from registration application fees is recognized at the time of registration.

Other income and interest is recognized when earned.

Short-term investments

Funds held by the College are invested, in accordance with the College's investment policy, in short-term instruments, which include guaranteed investment certificates.

Intangible assets

Intangible assets are recorded at cost. For intangible assets with finite useful lives, amortization is provided over their estimated useful lives at the following annual rates:

Registration and customer relationship management system	30% Straight-line
Online learning management system	30% Straight-line
Registration and examination management system	30% Straight-line

In prior years, intangible assets were amortized using the declining balance method. During the year, management reviewed the amortization methods used and decided to use the straight-line method to amortize all of its intangible assets. This change was applied prospectively.

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the 13 month period ended December 31, 2017

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment is recorded at cost. Amortization is provided over their estimated useful lives at the following annual rates:

Furniture and equipment	20% Declining balance
Computer hardware and software	30% Straight-line
Leasehold improvements	Term of the lease

In prior years, computer hardware and software were amortized using the declining balance method. During the year, management reviewed the amortization method used and decided to use the straight-line method to amortize these assets. This change was applied prospectively.

Impairment of long-lived assets

The College reviews for impairment of long-lived assets whenever events or changes in circumstance indicate that they no longer have any long-term service potential to the College, or no longer contribute to the College's ability to provide services. The amount of the impairment, if any, is determined as the excess of the carrying value of the asset over its estimated residual value.

Deferred lease inducements

Deferred lease inducements consist of lease incentive funds received from the landlord. Amortization is provided over the term of the lease, as a reduction of rent expense.

Deferred rent

The College has an office lease which provides for escalations of the minimum lease payments during the term of the lease. The College records rent expense using the straight-line method, thereby prorating the total minimum lease payments over the term of the lease. The deferred rent liability represents the accumulated difference between the minimum lease payments and the rent expense using the straight-line method.

Financial instruments

Financial instruments are initially measured at fair value and subsequently measured at amortized cost.

The company's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Significant areas requiring management estimates are the estimated useful lives and service potential of long-lived assets. Actual results could differ from those estimates.

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the 13 month period ended December 31, 2017

3. Intangible assets			<u>December 31, 2017</u>		November 30, 2016	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>		<u>Net Book Value</u>	
Registration and customer relationship management system	\$ 228,660	\$ 228,660	\$ -	\$	\$ 73,407	
Online learning management system	147,930	114,646	33,284		90,030	
Helsby Drake registration system	233,100	11,655	221,445		-	
	<u>\$ 609,690</u>	<u>\$ 354,961</u>	<u>\$ 254,729</u>	<u>\$</u>	<u>163,437</u>	

4. Property and equipment			<u>December 31, 2017</u>		November 30, 2016	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>		<u>Net Book Value</u>	
Furniture and equipment	\$ 53,965	\$ 32,310	\$ 21,655	\$	\$ 23,194	
Computer hardware and software	143,938	113,010	30,928		36,547	
Leasehold improvements	95,623	41,006	54,617		43,495	
	<u>\$ 293,526</u>	<u>\$ 186,326</u>	<u>\$ 107,200</u>	<u>\$</u>	<u>103,236</u>	

5. Accounts payable

Included in accounts payable is \$749 (November 30, 2016 - \$612) owing in respect of government remittances for sales taxes, payroll taxes and workers' safety insurance premiums.

6. Internally restricted net assets

Internally restricted net assets are not available for other purposes without the approval of the Board of Directors.

Restricted fund for complaints and discipline

At the beginning of the year, the Board of Directors resolved to internally restrict net assets of \$622,000 (November 30, 2016 - \$390,000) to be used for inquiry and disciplinary actions regarding complaints. The Board of Directors further resolved that any unused internally restricted funds at December 31, 2017 be returned to the unrestricted net assets. In 2017, the College spent \$323,554 (November 30, 2016 - \$472,919) on inquiry, title violations and disciplinary actions.

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the 13 month period ended December 31, 2017

6. Internally restricted net assets (continued)

Restricted fund for financial reserve

The Board of Directors resolved to internally restrict net assets of \$500,000 to be set aside for a financial reserve. The purpose of the reserve is to ensure the stability of the College's operations and to respond to varying economic conditions and changes that may affect the College's financial position.

7. Financial instruments

As at December 31, 2017, financial assets measured at amortized cost totalled \$3,015,251 (November 30, 2016 - \$915,309).

As at December 31, 2017, financial liabilities measured at amortized cost totalled \$292,375 (November 30, 2016 - \$92,081).

Liquidity risk

Liquidity risk is the risk that the College cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk is managed by forecasting cash flows.

8. Commitments

The College rents its office space under an operating lease. The College's future minimum lease payments under the lease agreement are as follows:

2018	\$	37,923
2019		37,923
2020		37,923
2021		37,923
2022		18,961
		<hr/>
	\$	170,653

9. Related party transactions

The financial statements include the following related party transactions, which are measured at the exchange amount:

	For the 13 months ended December 31 2017	For the year ended November 30 2016
Registration fees from directors and management	\$ 4,725	\$ 3,675
Honoraria to directors	39,213	55,923

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the 13 month period ended December 31, 2017

10. Comparative amounts

Certain prior period balances have been reclassified to conform to the financial statements presentation in the current period.

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