

2019 FINANCIAL STATEMENTS



Financial Statements

College of Massage Therapists of
British Columbia

December 31, 2019

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11

Independent Auditor's Report

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To the Board of Directors

College of Massage Therapists of British Columbia

Opinion

We have audited the financial statements of the College of Massage Therapists of British Columbia (the "College"), which comprise the statement of financial position as at December 31, 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 of Massage Therapists of British Columbia as at December 31, 2019, and its 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 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.

In preparing the financial statements, management is responsible for assessing the College's ability 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 College's financial reporting process.

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 these 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 College's internal control.
- 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 College's ability 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.



Vancouver, Canada
April 29, 2020

Chartered Professional Accountants

College of Massage Therapists of British Columbia

Statement of Financial Position

December 31	2019	2018
Assets		
Current		
Cash	\$ 2,414,401	\$ 2,529,464
Short-term investments	2,530,941	1,505,796
Accounts receivable	2,154	693
Prepaid expenses	141,962	162,937
	<u>5,089,458</u>	<u>4,198,890</u>
Intangible assets (Note 3)	89,854	166,873
Property and equipment (Note 4)	74,970	106,529
	<u>\$ 5,254,282</u>	<u>\$ 4,472,292</u>
Liabilities		
Current		
Accounts payable (Note 5)	\$ 208,177	\$ 114,126
Deferred revenue	3,026,750	2,612,350
	<u>3,234,927</u>	<u>2,726,476</u>
Deferred lease inducements	8,126	11,377
Deferred rent	2,709	3,792
	<u>3,245,762</u>	<u>2,741,645</u>
Net assets		
Unrestricted	1,008,520	730,647
Internally restricted (Note 6)	1,000,000	1,000,000
	<u>2,008,520</u>	<u>1,730,647</u>
	<u>\$ 5,254,282</u>	<u>\$ 4,472,292</u>

On behalf of the Board


 Board Director and Chair of the Finance and Audit Committee

College of Massage Therapists of British Columbia

Statement of Operations

Year ended December 31	2019	2018
Income		
Registration fees	\$ 2,785,642	\$ 2,464,079
Examination fees	666,925	548,125
Registration application fees	67,875	57,625
Other income	64,320	25,280
Interest	46,831	24,680
Fines and assessment fees	34,300	20,895
CMTBC courses	14,800	518,040
	<u>3,680,693</u>	<u>3,658,724</u>
Expenses		
Office and administration	1,597,366	1,402,295
Examinations	522,627	468,329
Complaints and inquiry	347,560	191,311
Quality assurance	344,396	298,229
Discipline	229,760	25,655
Registration and entry to practice	206,936	168,868
Governance	89,393	72,702
Communication and publications	53,154	45,090
Title protection	11,628	51,691
	<u>3,402,820</u>	<u>2,724,170</u>
Excess of income over expenses	\$ <u>277,873</u>	\$ <u>934,554</u>

College of Massage Therapists of British Columbia

Statement of Changes in Net Assets

Year ended December 31, 2019

	Unrestricted	Internally restricted financial reserve (Note 6)	Total
Balance, December 31, 2017	\$ 296,093	\$ 500,000	\$ 796,093
Excess of income over expenses	934,554	-	934,554
Transfer	(500,000)	500,000	-
Balance, December 31, 2018	730,647	1,000,000	1,730,647
Excess of income over expenses	277,873	-	277,873
Balance, December 31, 2019	\$ 1,008,520	\$ 1,000,000	\$ 2,008,520

College of Massage Therapists of British Columbia

Statement of Cash Flows

Year ended December 31

2019

2018

Cash derived from (applied to)

Operating

Excess of income over expenses	\$ 277,873	\$ 934,554
Items not affecting cash		
Amortization of deferred lease inducement	(3,251)	(3,250)
Amortization of intangible assets	77,019	111,484
Amortization of property and equipment	35,287	34,827
Deferred rent	(1,083)	(1,083)

	385,845	1,076,532
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Net change in non-cash working capital items

Accounts receivable	(1,461)	(607)
Prepaid expenses	20,975	(103,087)
Accounts payable	94,051	(162,709)
Deferred revenue	414,400	267,750

	913,810	1,077,879
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Investing

Short-term investments	(1,025,145)	(589,461)
Acquisition of intangible assets	-	(23,628)
Acquisition of property and equipment	(3,728)	(34,156)

	(1,028,873)	(647,245)
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(Decrease) increase in cash

	(115,063)	430,634
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Cash, beginning of year

	2,529,464	2,098,830
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Cash, end of year

	\$ 2,414,401	\$ 2,529,464
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College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the year ended December 31, 2019

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.

Cash

Cash consists of cash on hand and deposited at a major financial institution.

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 the College's courses is recognized at the time of enrollment.

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:

Online learning management system	30% Straight-line
Helsby Drake registration system	30% Straight-line

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the year ended December 31, 2019

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

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 College regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the College determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenues and expenses. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

The College'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 year ended December 31, 2019

3. Intangible assets			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Online learning management system	\$ 147,930	\$ 147,930	\$ -	\$ -
Helsby Drake registration system	<u>256,727</u>	<u>166,873</u>	<u>89,854</u>	<u>166,873</u>
	<u>\$ 404,657</u>	<u>\$ 314,803</u>	<u>\$ 89,854</u>	<u>\$ 166,873</u>

4. Property and equipment			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 62,613	\$ 41,918	\$ 20,695	\$ 25,869
Computer hardware and software	49,424	36,795	12,629	22,294
Leasehold improvements	<u>115,982</u>	<u>74,336</u>	<u>41,646</u>	<u>58,366</u>
	<u>\$ 228,019</u>	<u>\$ 153,049</u>	<u>\$ 74,970</u>	<u>\$ 106,529</u>

5. Accounts payable

Included in accounts payable is \$1,022 (2018 - \$832) 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 financial reserve

The Board of Directors resolved to internally restrict net assets of \$1,000,000 (2018 - \$1,000,000) 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.

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the year ended December 31, 2019

7. Financial instruments

As at December 31, 2019, financial assets measured at amortized cost totalled \$4,947,496 (2018 - \$4,035,953).

As at December 31, 2019, financial liabilities measured at amortized cost totalled \$208,177 (2018 - \$114,126).

Liquidity risk

Liquidity risk is the risk that the College cannot meet a demand for cash or fund its obligations as they come due. The College manages its liquidity risk by forecasting cash flows to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

Credit risk

Credit risk refers to the risk that a counterparty defaults or becomes insolvent. It is management's opinion that the College is not exposed to significant credit risks. There has been no change to the risk exposures from 2018.

Interest rate risk

The College is exposed to interest rate risk on its fixed interest rate financial instruments. The College is subject to interest rate risk as a result of investments in GICs. GICs are subject to interest rate risk upon reinvestment. It is management's opinion that the College is not exposed to significant interest rate risks. There has been no change to the risk exposures from 2018.

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:

2020	\$	39,819
2021		39,819
2022		20,905
		<hr/>
	\$	100,543

The College's future minimum payments for other commitments under various contracts are as follows:

2020	\$	336,229
2021		156,643
2022		156,643
2023		44,909
2024		40,500
		<hr/>
	\$	734,924

College of Massage Therapists of British Columbia

Notes to the Financial Statements

For the year ended December 31, 2019

9. Related party transactions

The financial statements include the following related party transactions on the statement of operations. Related party transactions are measured at the exchange amount:

	<u>2019</u>		<u>2018</u>
Registration fees from directors and management	\$ 5,750	\$	5,500
Honoraria to directors	45,310		43,840

10. Subsequent events

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our operations are not known at this time. These impacts could include potential future decreases in revenue. Management is closely monitoring the evolving situation and taking measures to mitigate potential negative impacts to the College. The College has had to cancel upcoming examinations due to COVID-19 which will impact examination fee income for the year ending December 31, 2020.



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