

AUDITED
FINANCIAL
STATEMENTS
2012

COLLEGE OF
MASSAGE THERAPISTS
OF BRITISH COLUMBIA



College of Massage Therapists of British Columbia

November 30, 2012

Table of contents

Independent Auditor’s Report 1-2

Statement of operations 3

Statement of changes in net assets 4

Statement of financial position 5

Statement of cash flows 6

Notes to the financial statements 7-9

Independent Auditor's Report

To the Members of the College of
Massage Therapists of British Columbia

We have audited the accompanying financial statements of the College of Massage Therapists of British Columbia (the "College"), which comprise the statement of financial position as at November 30, 2012, 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 generally accepted accounting principles, 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 as at November 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that the College has restated its 2011 financial statements with respect to the recognition of deferred revenues related to registration fees.

Deloitte LLP

Chartered Accountants
February 18, 2013
Vancouver, British Columbia

College of Massage Therapists of British Columbia

Statement of operations year ended November 30, 2012

	2012	2011
	\$	\$
		(Restated - Note 3)
Income		
Registration fees	1,026,679	893,838
Examinations fees	164,150	140,880
Fines and assessments	31,296	4,856
Registration application fees	24,410	15,800
Other income	19,889	17,655
Interest	10,686	12,631
	1,277,110	1,085,660
Expenditures		
Salaries and benefits	504,154	392,369
Professional fees	417,348	190,388
Office expenses	227,233	117,278
Examinations	199,548	235,877
Committees and meetings	98,665	304,370
Rent	45,457	26,085
Interest and bank charges	16,464	11,599
Amortization of property and equipment	15,569	6,122
Miscellaneous	4,489	10,931
	1,528,927	1,295,019
Deficiency of income over expenditures	(251,817)	(209,359)

See accompanying notes to the financial statements.

College of Massage Therapists of British Columbia

Statement of changes in net assets year ended November 30, 2012

	2012	2011
	\$	\$
		(Restated - Note 3)
Invested in property and equipment		
Balance, beginning of year	20,474	25,526
Additions	122,338	1,070
Deferred lease inducements	(32,505)	-
Amortization	(13,944)	(6,122)
Balance, end of year	96,363	20,474
Unrestricted		
Balance, beginning of year, as restated (Note 3)	698,456	202,763
Deficiency of income over expenditures	(251,817)	(209,359)
Transfer from internally restricted (Note 5.)	-	700,000
Net change in investment in property and equipment	(75,889)	5,052
Balance, end of year	370,750	698,456

See accompanying notes to the financial statements.

College of Massage Therapists of British Columbia

Statement of financial position as at November 30, 2012

	2012	2011
	\$	\$
		(Restated - Note 3)
Assets		
Current assets		
Cash	603,613	130,325
Term deposits	-	848,475
Accrued interest and accounts receivable	-	8,219
Prepaid expenses	15,522	11,577
	619,135	998,596
Property and equipment (Note 4)	127,243	20,474
	746,378	1,019,070
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	94,990	82,837
Deferred revenue	152,944	217,303
	247,934	300,140
Deferred lease inducements	30,880	-
Deferred rent	451	-
	279,265	300,140
Net assets		
Net assets invested in property and equipment	96,363	20,474
Unrestricted	370,750	698,456
	467,113	718,930
	746,378	1,019,070

Commitments (Note 8)

College of Massage Therapists of British Columbia

Statement of cash flows year ended November 30, 2012

	2012	2011
	\$	\$
		(Restated - Note 3)
Operating activities		
Deficiency of income over expenditures	(251,817)	(209,359)
Items not affecting cash		
Amortization of property and equipment	15,569	6,122
Deferred rent	451	-
Amortization of deferred lease inducement	(1,625)	-
	(237,422)	(203,237)
Net change in non-cash operating working capital		
Accrued interest and accounts receivable	8,219	(396)
Prepaid expenses	(3,945)	(5,873)
Accounts payable and accrued liabilities	12,153	12,970
Deferred revenue	(64,359)	101,681
	(285,354)	(94,855)
Investing activities		
Acquisition of property and equipment	(122,338)	(1,070)
Term deposits, proceeds	848,475	1,011,808
Term deposits, acquisitions	-	(848,475)
	726,137	162,263
Financing activity		
Deferred lease inducement	32,505	-
Net cash inflow	473,288	67,408
Cash position, beginning of year	130,325	62,917
Cash position, end of year	603,613	130,325

See accompanying notes to the financial statements.

College of Massage Therapists of British Columbia

Notes to the financial statements

November 30, 2012

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. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

(a) Financial instruments

The College continues to elect to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for profit organizations not to apply the following Sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation*, and 3865, *Hedges*, which would otherwise have applied to the financial statements of the College for the year ended November 30, 2012. The College applies the requirements of Section 3861, *Financial Instruments - Disclosures and Presentation*, of the CICA Handbook.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on the classification. The College measures and presents cash, which are classified as held for trading, at fair value in the financial statements, and reports any unrealized gains or losses in fair value in the statement of operations. The College's other financial instruments, comprising accrued interest and accounts receivable and accounts payable, which are classified as loans and receivables and other liabilities respectively, are measured at amortized cost.

(b) 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% declining balance
Leasehold improvements	Term of lease

The college reviews for impairment of property and equipment 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.

There is no impairment loss recognized in the current year.

(c) Deferred rent

The College has an office lease which provides for escalations of the minimum rent during the lease term. The College records rent expense using the straight-line method, thereby prorating the total rental commitment over the term of the lease. Under this method, the deferred rent liability or deferred rent asset represents the accumulated difference between the minimum cash rental payments and the rent expense computed on a straight-line basis. Rent expense includes \$451 (2011 - \$Nil) for the difference between actual cash payment and straight-line rent expense.

(d) Deferred lease inducement

Deferred lease inducement consists of lease incentive funds received from the landlord. This inducement is amortized over the term of the office lease, as a reduction of rent expenditures.

College of Massage Therapists of British Columbia

Notes to the financial statements

November 30, 2012

2. Significant accounting policies (continued)

(e) Revenue recognition

The College follows the deferral method of accounting for registration fees, which are recognized as income evenly over the calendar year, when received or receivable if the amount can be reasonably estimated, and collection is reasonably assured. Deferred revenue represents registration fees that have not yet been earned, and payments received for registration years that have not yet commenced..

Income from examinations is recognized at the time of payment and registration. Income from fines and assessments and registration application fees is recognized when received or receivable.

Interest and other income is recognized as revenue when earned.

(f) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP 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 life and service potential of property and equipment, and the amount of accrued liabilities. Actual results could differ from those estimates.

(g) Future accounting changes

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after December 21, 2011, not-for-profit organizations will have to choose between International Financial Reporting Standards and generally accepted accounting principles for not-for-profit organizations. The College currently plans to adopt the new accounting standards for not-for-profit organizations for its fiscal year beginning on December 1, 2012 and is evaluating the impact of the adoption.

3. Restatement of prior year financial statements

Deferred revenue represents registration fees that have not yet been earned. The college receives registration fees on a calendar year basis, and accordingly, on November 30, 2011 approximately 1/12th of the 2011 calendar year's registration fees had not been earned and should have been recorded as deferred revenue. In prior years, the College had not correctly calculated this deferred portion, and accordingly, has restated the previously reported amounts as follows:

	As previously stated	Adjustment	Restated
	\$	\$	\$
Registration fees	901,872	(8,034)	893,838
Deficiency of income over expenditures	201,325	8,034	209,359
Unrestricted net assets, beginning of year	269,885	(67,122)	202,763
Unrestricted net assets, end of year	773,612	(75,156)	698,456
Deferred revenue	142,147	75,156	217,303

The statement of cash flows has been adjusted to reflect the above change, as appropriate.

College of Massage Therapists of British Columbia

Notes to the financial statements

November 30, 2012

4. Property and equipment

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	76,977	36,131	40,846	13,576
Computer hardware and software	75,871	45,527	30,344	6,898
Leasehold improvements	59,002	2,949	56,053	-
	<u>211,850</u>	<u>84,607</u>	<u>127,243</u>	<u>20,474</u>

5. Internally restricted

In November 2007, the Board resolved to set aside a reserve to purchase an office facility in the amount of \$600,000 to accommodate meetings and expansion. During 2009, the Board resolved to increase the reserve by an additional \$100,000 to a total amount of \$700,000. In fiscal 2011, the Board determined that an office facility would not be purchased and the funds were transferred back to unrestricted net assets.

6. Capital management

The College's objectives when managing capital are to safeguard its ability to continue as a going concern in order to fulfil its principal objectives. The College's capital comprises its cash. The College's investment policy is to hold excess cash in an interest bearing account. The College is not subject to any external capital requirements.

7. Financial instruments

Fair value

Financial instruments include cash, accrued interest and accounts receivable and accounts payable. The carrying values approximate their fair values due to the immediate or short-term maturity of these items.

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:

	\$
2013	35,756
2014	35,756
2015	35,756
2016	35,756
2017	36,658
2018 and thereafter	173,813
	<u>353,495</u>



College of Massage Therapists
of British Columbia
304-1212 West Broadway
Vancouver, British Columbia
Canada V6H 3V1

Telephone: 604.736.3404
Toll-free: 1.877.321.3404
Fax: 604.736.6500
feedback@cmtbc.bc.ca
cmtbc.bc.ca