

**MESSAGE THERAPIST ASSOCIATION
OF SASKATCHEWAN INCORPORATED**

SASKATOON, SASKATCHEWAN

Financial Statements

As at October 31, 2016

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

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Year Ended October 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Massage Therapist Association of Saskatchewan Incorporated

We have audited the accompanying financial statements of Massage Therapist Association of Saskatchewan Incorporated, which comprise the statement of financial position as at October 31, 2016 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 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 Massage Therapist Association of Saskatchewan Incorporated as at October 31, 2016 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.

Stewart, Gee & Murray CPA LLP

Saskatoon, Saskatchewan
March 3, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Financial Position

As at October 31, 2016

(With comparative figures for October 31, 2015)

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 11,394	\$ 200,788
Short term investments (Note 5)	424,859	307,464
Accounts receivable	290	13,811
GST receivable	16,241	8,443
Prepaid expenses	5,696	14,794
	<u>458,480</u>	<u>545,300</u>
PROPERTY AND EQUIPMENT (Note 6)	<u>8,830</u>	<u>7,762</u>
	<u>\$ 467,310</u>	<u>\$ 553,062</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 29,993	\$ 41,936
Employee deductions payable	7,612	3,662
Deferred revenue (Note 7)	230,837	263,425
	<u>268,442</u>	<u>309,023</u>
NET ASSETS		
Invested in property and equipment	9,114	8,046
Unrestricted net assets	189,754	235,993
	<u>198,868</u>	<u>244,039</u>
	<u>\$ 467,310</u>	<u>\$ 553,062</u>
COMMITMENTS (Note 8)		

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Operations

For the Year Ended October 31, 2016

(With comparative figures for the year ended October 31, 2015)

	2016	2015
REVENUE		
Membership	\$ 289,718	\$ 299,232
Continuing education	60,730	55,635
Membership advertising	31,430	31,546
Examinations	22,620	16,088
Investment income	13,396	5,219
Research fund	10,206	4,807
Other revenue	4,223	4,838
Rental	2,022	2,585
Gain on sale of property and equipment	-	216
	<u>434,345</u>	<u>420,166</u>
EXPENSES		
Advertising and promotion	40,382	39,866
Amortization	3,253	3,107
Bad debts	2,515	126
Conference, meetings and travel	53,472	44,322
Insurance	1,904	1,755
Memberships and subscriptions	32,827	41,915
Education and exam	71,051	68,465
Office and general	37,761	33,391
Legislation	53,258	11,757
Professional fees	11,550	10,500
Research committee	10,206	4,807
Rent and occupancy	29,620	30,591
Salaries, wages and benefits	131,717	114,573
	<u>479,516</u>	<u>405,175</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	<u>\$ (45,171)</u>	<u>\$ 14,991</u>

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Changes in Net Assets

For the Year Ended October 31, 2016

(With comparative figures for the year ended October 31, 2015)

	Unrestricted Net Assets	Invested in Property and Equipment	Restricted Research Fund (Note 9)	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 235,993	\$ 8,046	\$ -	\$ 244,039	\$ 229,048
Deficiency of revenue over expenses	(45,171)	-	-	(45,171)	14,991
Purchase of property and equipment	(4,321)	4,321	-	-	-
Amortization	3,253	(3,253)	-	-	-
NET ASSETS - END OF YEAR	\$ 189,754	\$ 9,114	\$ -	\$ 198,868	\$ 244,039

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Cash Flows

Year Ended October 31, 2016

(With comparative figures for the year ended October 31, 2015)

	2016	2015
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$ (45,171)	\$ 14,991
Items not affecting cash:		
Amortization	3,253	3,107
Gain on sale of property and equipment	-	(216)
	<u>(41,918)</u>	<u>17,882</u>
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	13,521	(4,003)
Increase in GST receivable	(7,798)	(6,366)
Decrease in prepaid expenses	9,098	1,540
(Decrease) increase in accounts payable and accrued liabilities	(11,943)	14,986
Increase in employee deductions payable	3,950	2,200
(Decrease) increase in deferred income	(32,588)	25,465
	<u>(25,760)</u>	<u>33,822</u>
	<u>(67,678)</u>	<u>51,704</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,321)	(1,050)
Proceeds on disposal of property and equipment	-	500
Change in short term investments - net	(117,395)	(40,283)
	<u>(121,716)</u>	<u>(40,833)</u>
INCREASE (DECREASE) IN CASH FLOW	(189,394)	10,871
CASH - BEGINNING OF YEAR	<u>200,788</u>	<u>189,917</u>
CASH - END OF YEAR	<u>\$ 11,394</u>	<u>\$ 200,788</u>

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

October 31, 2016

1. PURPOSE OF THE ASSOCIATION

Massage Therapist Association of Saskatchewan Incorporated (the "Association") is incorporated under the Non-Profit Corporation Act of Saskatchewan. The Association is the self-governing body administering the public practice of massage therapy in Saskatchewan by individuals using the title of Registered Massage Therapist.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

These financial statements were authorized for issue by the Board of Directors on March 3, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Cash and investments are classified as held-for-trading and stated at fair value. Accounts receivable is classified as loans and receivables, which is measured at amortized cost. Accounts payable and accrued liabilities, employee deduction payable and deferred income are classified as other financial liabilities, which are measured at amortized cost.

The fair values of loans and receivables and other financial liabilities, listed above, are measured at amortized which cost approximate their carrying values due to the relatively short-term nature of these financial instruments.

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. Unless otherwise noted, it is the board of directors' opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Cash equivalents

Cash and cash equivalents consist of cash and investments with an original maturity of three months or less.

(continues)

MESSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

October 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Office equipment	20%	declining balance method
Computer equipment	50% to 100%	declining balance method
Leasehold improvements	10 years	straight-line method

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Property and equipment is recorded at cost less accumulated amortization. If circumstances indicate that its carrying value may not be recoverable, recoverability is tested by comparing the sum of the estimated undiscounted future cash flows from operations and expected residual value with the carrying value. If the sum is less than the carrying value of a particular asset, an impairment loss is recognized. As at October 31, 2016 there were no known circumstances that would indicate that the carrying value of the equipment may not be recoverable.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Annual membership fees are recognized as revenue when invoiced except for those memberships fees pertaining to the following fiscal year, which are recorded as deferred revenue.

Exam and workshop fees are recognized as revenue when the exam and workshop are held.

Revenue that has been restricted will be recognized when the corresponding expenses have occurred with the excess contributions deferred until required.

Income taxes

The Association is a not for profit entity under the Income Tax Act (Canada) and as such, is exempt from the payment of income taxes under section 149(1)(1) of the Income Tax Act (Canada).

Donated Services

The work of the Association benefits from the voluntary service of many members. As these services are not normally purchased and because of the difficulty of valuation, donated services are not recognized in these financial statements.

Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation, Net Income has not been affected due to the reclassification.

MESSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

October 31, 2016

4. FINANCIAL INSTRUMENTS

Financial assets measured at amortized cost totalled \$436,453 (2015 - \$522,065). Financial liabilities measured at amortized cost totalled \$40,859 (2015 - \$41,936).

The Association, through its financial assets and liabilities has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from an individual member. In order to reduce its credit risk, the Association conducts regular reviews of outstanding accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association does not have any significant exposure to individual member.

Interest rate risk

The investments comprise interest earning income securities. The value of securities is subject to interest rate risk as the value will generally rise if the prevailing interest rates fall and fall if the prevailing interest rates rise. The Association manages exposure by using a diversified portfolio.

5. SHORT TERM INVESTMENTS

Short term investments have been classified as held for trading and have been recorded at fair value. Investments consist of money market funds held at a chartered bank and money market funds, guaranteed investment certificates, equity investment, and mutual funds held at Edward Jones, an investment firm. Interest on money market funds is paid monthly at a tiered interest rate, based upon balance on deposit, which corresponds to rates available for similar investments to money market funds.

Included in the short term investment is \$46,338 (2015 - \$35,873) that has been restricted for use by the research fund as shown below:

	<u>2016</u>		<u>2015</u>
Short term investments - unrestricted	\$ 378,521	\$	271,591
Short term investments - restricted	46,338		35,873
	\$ 424,859	\$	307,464

6. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2016 Net book value</u>	<u>2015 Net book value</u>
Office equipment	\$ 37,768	\$ 31,393	\$ 6,375	\$ 5,040
Computer equipment	28,184	26,415	1,769	961
Leasehold improvements	9,110	8,424	686	1,761
	\$ 75,062	\$ 66,232	\$ 8,830	\$ 7,762

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

October 31, 2016

7. DEFERRED REVENUE

Deferred revenue consists of amounts received before year end for the next year activities. Balances were as follows:

	<u>2016</u>	<u>2015</u>
Membership fees	\$ 169,784	\$ 194,670
Research fund (restricted)	46,338	35,873
Membership advertising	14,715	17,310
Continuing education	-	15,572
	<u>\$ 230,837</u>	<u>\$ 263,425</u>

8. COMMITMENTS

The Association has a long term lease with respect to its premises. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. The Association also has a long term lease for equipment. Future minimum lease payments as at October 31, 2016, are as follows:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 24,675	\$ 5,015	\$ 29,690
2018	27,580	5,015	32,595
2019	27,580	-	27,580
2020	27,580	-	27,580
2021	27,580	-	27,580
Thereafter	16,088	-	16,088
	<u>\$ 151,083</u>	<u>\$ 10,030</u>	<u>\$ 161,113</u>

9. RESTRICTED FUND

Externally restricted fund received from membership is restricted with the purpose of spending the funds on research. Contributions received during the year are recorded as deferred revenue. The amount of income that is recorded on the statement of operations as research revenue, in the current period is matched to the expenditures that have been incurred.

10. RELATED PARTY TRANSACTIONS

The financial statements include stipend payments of \$16,170 (2015: \$12,830) and honorarium of \$3,800 (2015: \$3,100) to the directors of the Association. These services were provided in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is stipend payable of \$9,036 (2015: \$8,614) that will be paid to the directors in the following year.

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

October 31, 2016

11. CAPITAL MANAGEMENT

The Association defines its capital as its unrestricted net assets and invested in equipment.

The Association's objective of managing the unrestricted net assets is to balance the need for stability of operations as a going concern with a desire to maximize services and benefits provided to members.