

**MESSAGE THERAPIST ASSOCIATION
OF SASKATCHEWAN INCORPORATED**

SASKATOON, SASKATCHEWAN

Financial Statements

As at October 31, 2018

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

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Year Ended October 31, 2018

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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, 2018 and the statements of revenues and expenditures, 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 the 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 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 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, 2018, 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.

Emphasis of Matter

We draw attention to Note 12 to the financial statements, which explains that certain comparative information for the year ended October 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Stewart, Gee & Murray CPA LLP

Saskatoon, Saskatchewan
March 22, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Financial Position

As at October 31, 2018


(With comparative figures for October 31, 2017)

	2018	2017 <i>Restated</i>
ASSETS		
CURRENT		
Cash	\$ 212,525	\$ 169,531
Investments (Note 5)	263,531	328,651
Accounts receivable	1,694	9,055
GST receivable	983	1,213
Prepaid expenses	7,564	6,621
	<u>486,297</u>	<u>515,071</u>
PROPERTY AND EQUIPMENT (Note 6)	<u>9,395</u>	<u>8,643</u>
	<u>\$ 495,692</u>	<u>\$ 523,714</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 53,319	\$ 49,173
Employee deductions payable	3,538	3,427
Deferred revenue (Note 7)	287,520	269,556
	<u>344,377</u>	<u>322,156</u>
NET ASSETS		
Invested in capital assets (Note 8)	9,678	8,926
Legislation fund (Note 9)	100,000	55,319
Unrestricted fund	41,637	137,313
	<u>151,315</u>	<u>201,558</u>
	<u>\$ 495,692</u>	<u>\$ 523,714</u>

COMMITMENTS (Note 10)

ON BEHALF OF THE BOARD

 Director

 Director

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Revenues and Expenditures

For the Year Ended October 31, 2018

(With comparative figures for the year ended October 31, 2017)

	2018	2017 <i>Restated</i>
REVENUES		
Membership	\$ 301,907	\$ 303,457
Continuing education	74,283	23,045
Membership advertising	33,256	32,139
Examinations	14,607	15,049
Other revenue	5,495	5,584
Rental	2,840	2,580
Research (Note 9)	2,109	10,223
Investment (loss) income	(1,121)	17,789
	<u>433,376</u>	<u>409,866</u>
EXPENSES		
Advertising and promotion	35,792	31,682
Amortization	2,998	3,326
Bad debts	75	513
Conference, meetings and travel	54,009	39,885
Education and exam	92,618	54,605
Insurance	2,046	1,867
Legislation (Note 9)	56,857	34,681
Memberships and subscriptions	7,903	7,651
Office and general	41,731	42,779
Professional fees	12,698	17,021
Rent and occupancy	33,124	29,602
Research (Note 9)	2,092	10,223
Salaries	141,676	133,341
	<u>483,619</u>	<u>407,176</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>\$ (50,243)</u>	<u>\$ 2,690</u>

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED
Statement of Changes in Net Assets
For the Year Ended October 31, 2018
(With comparative figures for the year ended October 31, 2017)

	Unrestricted Fund	Invested in Capital Assets	Legislation Fund	2018	2017 Note 12 <i>Restated</i>
NET ASSETS - BEGINNING OF YEAR	\$ 137,313	\$ 8,926	\$ 55,319	\$ 201,558	\$ 198,868
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	6,614	-	(56,857)	(50,243)	2,690
Transfer	(101,538)	-	101,538	-	-
Purchase of equipment	(3,750)	3,750	-	-	-
Amortization	2,998	(2,998)	-	-	-
NET ASSETS - END OF YEAR	\$ 41,637	\$ 9,678	\$ 100,000	\$ 151,315	\$ 201,558

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Statement of Cash Flows

Year Ended October 31, 2018

(With comparative figures for the year ended October 31, 2017)

	2018	2017 <i>Restated</i>
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	\$ (50,243)	\$ 2,690
Items not affecting cash:		
Amortization	2,998	3,326
Loss on disposal of investments	3,401	1,188
Unrealized gain on investments	<u>(1,004)</u>	<u>(17,755)</u>
	<u>(44,848)</u>	<u>(10,551)</u>
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	7,361	(8,765)
Decrease in GST receivable	230	15,028
Increase in prepaid expenses	(943)	(925)
Increase in accounts payable and accrued liabilities	4,146	19,180
Increase (decrease) in employee deductions payable	111	(4,185)
Increase in deferred income	<u>17,964</u>	<u>38,719</u>
	<u>28,869</u>	<u>59,052</u>
	<u>(15,979)</u>	<u>48,501</u>
INVESTING ACTIVITIES		
Purchase of equipment	(3,750)	(3,139)
Purchase of investment	(201,277)	(151,225)
Proceeds from sale of investments	<u>264,000</u>	<u>264,000</u>
	<u>58,973</u>	<u>109,636</u>
INCREASE IN CASH FLOW	42,994	158,137
CASH - BEGINNING OF YEAR	<u>169,531</u>	<u>11,394</u>
CASH - END OF YEAR	<u>\$ 212,525</u>	<u>\$ 169,531</u>

MESSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

Year Ended October 31, 2018

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 22, 2019.

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

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. Cash and investments are classified as held-for-trading and stated at fair value.

Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

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

Year Ended October 31, 2018

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
Leasehold improvements	lease term	straight-line method
Computer equipment	50% to 100%	declining balance 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 of the year end, 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.

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.

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.

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.

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

Year Ended October 31, 2018

4. FINANCIAL INSTRUMENTS

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. 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. 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, 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 \$71,731 (2017 - \$55,685) that has been internally restricted for use by the research fund and \$100,000 (2017 - \$55,319) that has been internally restricted for the use by the legislation fund as shown below:

	<u>2018</u>		<u>2017</u>	
Short term investments - restricted legislation fund	\$	100,000	\$	55,319
Short term investments - unrestricted		91,800		217,647
Short term investments - restricted research fund		71,731		55,685
	\$	<u>263,531</u>	\$	<u>328,651</u>

6. PROPERTY AND EQUIPMENT

	<u>2018</u>		<u>2017</u>	
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 39,250	\$ 34,103	\$ 5,147	\$ 6,434
Computer equipment	31,933	28,679	3,254	884
Leasehold improvements	1,657	663	994	1,325
	\$ 72,840	\$ 63,445	\$ 9,395	\$ 8,643

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

Year Ended October 31, 2018

7. DEFERRED REVENUE

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

	<u>2018</u>		<u>2017</u>
Membership fees	\$ 199,298	\$	189,200
Research fund (internally restricted)	71,731		55,685
Membership advertising	15,120		14,385
Continuing education	1,371		10,286
	<u>\$ 287,520</u>	\$	<u>269,556</u>

8. 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.

9. RESTRICTED FUND

Research Fund

Internally 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.

Legislation fund

During the year ended October 31, 2018 the Board of Directors resolved to internally restrict net assets of \$100,000 of unrestricted net assets to be used for legislation. The funds are spent on professional fees and other fees related solely to legislation purposes as authorized by the Board of Directors.

10. 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, 2018, are as follows:

	<u>Premises</u>		<u>Equipment</u>		<u>Total</u>
2019	\$ 29,200	\$	4,999	\$	34,199
2020	29,200		-		29,200
2021	29,200		-		29,200
2022	29,200		-		29,200
2023	17,033		-		17,033
	<u>\$ 133,833</u>	\$	<u>4,999</u>	\$	<u>138,832</u>

MASSAGE THERAPIST ASSOCIATION OF SASKATCHEWAN INCORPORATED

Notes to Financial Statements

Year Ended October 31, 2018

11. RELATED PARTY TRANSACTIONS

The financial statements include stipend payments of \$17,481 (2017 - \$13,614) and honorarium of \$9,200 (2017 - \$4,000) 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 \$10,852 (2017 - \$12,948) that will be paid to the directors in the following year.

12. PRIOR PERIOD ADJUSTMENT

There were cut-off errors for amounts that should have been recorded in the year ended October 31, 2017. As a result, the prior year comparative figures have been revised to correct these amounts as below:

	As previously reported	Adjustment	Restated
<u>Statement of Financial Position</u>			
Account payable and accrued liabilities	\$ 43,173	\$ 6,000	\$ 49,173
Deferred revenue	259,270	10,286	269,556
	<u>302,443</u>	<u>16,286</u>	<u>318,729</u>
<u>Statement of Revenues and Expenditures</u>			
Continuing education	33,331	(10,286)	23,045
Conference meetings and travel	33,885	6,000	39,885
	<u>67,216</u>	<u>(16,286)</u>	<u>62,930</u>
<u>Statement of Changes in Net Assets</u>			
Unrestricted Fund	153,599	(16,286)	137,313
	<u>153,599</u>	<u>(16,286)</u>	<u>137,313</u>

The net adjustment of \$16,286 has been reflected in the year ended October 31, 2017 to decrease net assets for the errors not accounted for before November 1, 2017.