

The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Financial Statements  
For the year ended September 30, 2018

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## Independent Auditor's Report

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### To the members of The Canadian Association of Occupational Therapists / L'Association Canadienne des Ergothérapeutes

We have audited the accompanying financial statements of The Canadian Association of Occupational Therapists / L'Association canadienne des ergothérapeutes, which comprise the statement of financial position as at September 30, 2018, 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 The Canadian Association of Occupational Therapists / L'Association canadienne des ergothérapeutes as at September 30, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
February 15, 2019

**The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Statement of Financial Position**

September 30	General Operating Fund	Insurance Reserve Fund	2018	2017
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 1,643,610	\$ 68,638	\$ 1,712,248	\$ 1,250,695
Investments (Note 2)	1,113,662	367,326	1,480,988	1,726,449
Accounts receivable	60,561	-	60,561	118,889
Inventory (Note 3)	85,805	-	85,805	109,275
Prepaid expenses	26,931	-	26,931	54,807
	<u>2,930,569</u>	<u>435,964</u>	<u>3,366,533</u>	<u>3,260,115</u>
Investments (Note 2)	650,000	-	650,000	666,870
Tangible capital assets (Note 4)	2,343,847	-	2,343,847	2,485,320
Intangible assets (Note 5)	87,080	-	87,080	123,463
Deferred conference expenses	31,188	-	31,188	30,000
	<u>\$ 6,042,684</u>	<u>\$ 435,964</u>	<u>\$ 6,478,648</u>	<u>\$ 6,565,768</u>
<b>Liabilities and Net Assets</b>				
<b>Current</b>				
Accounts payable and accrued liabilities (Note 7)	\$ 529,907	\$ -	\$ 529,907	\$ 485,620
Provision for unpaid claims	-	271,927	271,927	234,601
Deferred revenue	2,204,753	-	2,204,753	2,120,548
Unearned insurance premiums	-	457,340	457,340	399,556
Current portion of long-term debt (Note 8)	32,532	-	32,532	48,364
Interfund payable (receivable)	358,732	(358,732)	-	-
	<u>3,125,924</u>	<u>370,535</u>	<u>3,496,459</u>	<u>3,288,689</u>
Long-term debt (Note 8)	594,640	-	594,640	912,077
	<u>3,720,564</u>	<u>370,535</u>	<u>4,091,099</u>	<u>4,200,766</u>
Contractual obligations (Note 10)				
<b>Net Assets</b>				
Unrestricted	(38,439)	-	(38,439)	164,923
Internally restricted (Note 11)	556,804	-	556,804	492,766
Invested in tangible capital and intangible assets	1,803,755	-	1,803,755	1,648,342
Insurance reserve fund	-	65,429	65,429	58,971
	<u>2,322,120</u>	<u>65,429</u>	<u>2,387,549</u>	<u>2,365,002</u>
	<u>\$ 6,042,684</u>	<u>\$ 435,964</u>	<u>\$ 6,478,648</u>	<u>\$ 6,565,768</u>

On behalf of the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Statement of Changes in Net Assets

For the year ended September 30	Unrestricted Deficiency	Internally Restricted (Note 11)	Invested in Tangible Capital and Intangible Assets	Insurance Reserve Fund	2018	2017
Balance, beginning of the year	\$ 164,923	\$ 492,766	\$1,648,342	\$ 58,971	\$2,365,002	\$ 2,489,044
(Deficiency) excess of revenues over expenses	252,696	(47,568)	(214,039)	31,458	22,547	(124,042)
Acquisition of tangible capital and intangible assets	(39,289)	-	39,289	-	-	-
Disposal of tangible capital and intangible assets	3,106	-	(3,106)	-	-	-
Internal restriction (Note 11)	(86,606)	111,606	-	(25,000)	-	-
Repayment of long- term debt related to tangible capital assets	(333,269)	-	333,269	-	-	-
Balance, end of the year	\$ (38,439)	\$ 556,804	\$1,803,755	\$ 65,429	\$2,387,549	\$ 2,365,002

The notes are an integral part of these financial statements.

The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Statement of Operations

For the year ended September 30	2018 Budget (Unaudited)	General Operating Fund	Insurance Reserve Fund	2018	2017
<b>Revenues</b>					
Accreditation and exam	\$ 604,900	\$ 594,659	\$ -	\$ 594,659	\$ 607,157
Conference	443,709	548,806	-	548,806	288,455
Insurance premiums earned	454,366	-	490,882	490,882	458,816
Membership fees	1,900,445	1,885,744	-	1,885,744	1,844,104
Membership services	65,482	79,053	-	79,053	71,180
Miscellaneous	10,000	19,649	-	19,649	11,950
Product recognition	80,000	31,355	-	31,355	53,140
Professional development	510,782	490,529	-	490,529	641,542
Publications	584,101	554,430	-	554,430	521,965
Realized investment income	46,492	25,612	-	25,612	28,060
Rent	51,267	48,447	-	48,447	48,447
	<u>4,751,544</u>	<u>4,278,284</u>	<u>490,882</u>	<u>4,769,166</u>	<u>4,574,816</u>
<b>Operating Expenses</b>					
Accreditation and exam	-	329,217	-	329,217	310,797
Canadian Occupational Therapy Foundation (Note 9)	100,000	100,000	-	100,000	100,000
Claim expenses	-	-	78,199	78,199	100,000
Conference	440,709	359,909	-	359,909	322,419
Governance	131,470	129,314	-	129,314	146,235
Insurance administration	-	-	75,999	75,999	75,186
Insurance commissions paid	454,366	-	305,226	305,226	282,133
Membership services	1,285,636	620,664	-	620,664	688,110
National division/ committees	112,000	24,446	-	24,446	14,035
National office operations	1,638,375	1,415,466	-	1,415,466	1,576,529
Product recognition	-	74,707	-	74,707	75,561
Professional development	-	408,376	-	408,376	336,219
Project expenses relating to grants	4,000	-	-	-	2,201
Publications	494,286	643,534	-	643,534	620,524
Representation and communication	56,000	19,129	-	19,129	16,801
	<u>4,716,842</u>	<u>4,124,762</u>	<u>459,424</u>	<u>4,584,186</u>	<u>4,666,750</u>
Special projects	<u>140,741</u>	<u>162,433</u>	<u>-</u>	<u>162,433</u>	<u>32,108</u>
	<u>4,857,583</u>	<u>4,287,195</u>	<u>459,424</u>	<u>4,746,619</u>	<u>4,698,858</u>
(Deficiency) excess of revenues over expenses	<u>\$ (106,039)</u>	<u>\$ (8,911)</u>	<u>\$ 31,458</u>	<u>\$ 22,547</u>	<u>\$ (124,042)</u>

The notes are an integral part of these financial statements.

The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Statement of Cash Flows

For the year ended September 30	2018	2017
Cash flows from operating activities		
Cash receipts from members	\$ 4,925,193	\$ 4,569,401
Cash paid to suppliers and employees	(4,414,013)	(4,357,893)
Interest received	37,121	28,060
	<u>548,301</u>	<u>239,568</u>
Cash flows from investing activities		
Acquisition of tangible capital and intangible assets	(39,289)	(248,884)
Decrease (increase) in investments	262,331	(33,390)
	<u>223,042</u>	<u>(282,274)</u>
Cash flows from financing activities		
Repayment of long-term debt	(333,269)	(87,072)
Other activity		
Foreign exchange gain on cash held in foreign currency	23,479	53,637
Net increase (decrease) in cash	461,553	(76,141)
Cash, beginning of the year	<u>1,250,695</u>	<u>1,326,836</u>
Cash, end of year	<u>\$ 1,712,248</u>	<u>\$ 1,250,695</u>

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The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Notes to Financial Statements

September 30, 2018

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1. Accounting Policies

Purpose of Organization	The Canadian Association of Occupational Therapists / L'Association Canadienne des Ergothérapeutes ("the Association"), incorporated in 1934, is a national voluntary association of occupational therapists providing support, leadership and services to its members. It works actively to develop and promote the profession of occupational therapy which results in a contribution to the health and well being of Canadians. The Association is incorporated under the Canada Not-for-profit Corporations Act as a non-profit organization without share capital and as such is exempt from income tax under current legislation.
Basis of Accounting	The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the estimated useful lives of tangible capital assets and intangible assets and the provision for unpaid claims.
Inventory	Inventory is valued at lower of cost and net realizable value with cost being calculated on a weighted average basis.
Revenue Recognition	<p>Revenue from Association's accreditation and exam fees, conference, professional development and membership services fees is recorded in the year in which the exam, conference or course takes place or the service is rendered. Revenue from membership fees is recognized over the period of membership. Publication revenues is recorded upon shipment of the publications. Revenue received in advance of the exam, the conference, the professional development or rendering the service are recorded as deferred revenue.</p> <p>Investment income is recognized on the accrual basis. Investment income includes interest and realized and unrealized gains and losses.</p> <p>Rental revenue is recognized as revenue in accordance with the terms of the lease agreement.</p>



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The Canadian Association of Occupational Therapists /  
L'Association canadienne des ergothérapeutes  
Notes to Financial Statements

September 30, 2018

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1. Accounting Policies (continued)

Financial Instruments	<p><u>Measurement</u> The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and liabilities at amortized cost, except for investments which it chose to measure at fair value. Changes in fair value are recognized in the statement of operations.</p> <p><u>Impairment</u> Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.</p> <p><u>Transaction costs</u> Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.</p>						
Contributed Services	<p>Volunteers contribute numerous hours per year to assist the Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>						
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost. Amortization is based on the estimated useful life of the asset as follows:</p> <table><tr><td>Building</td><td>straight line basis over 25 years</td></tr><tr><td>Computer equipment</td><td>straight line basis over 3 years</td></tr><tr><td>Office furniture and equipment</td><td>straight line basis over 3-10 years</td></tr></table>	Building	straight line basis over 25 years	Computer equipment	straight line basis over 3 years	Office furniture and equipment	straight line basis over 3-10 years
Building	straight line basis over 25 years						
Computer equipment	straight line basis over 3 years						
Office furniture and equipment	straight line basis over 3-10 years						
Translation of Foreign Currency Transactions	<p>The Association uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate for the year. Exchange gains and losses are included in the statement of operations.</p>						

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

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1. Accounting Policies (continued)

Intangible Assets	<p>Intangible assets are recorded at cost. Amortization is based on the estimated useful life of the asset as follows:</p> <table><tr><td>E-books</td><td>straight line basis over 5 years</td></tr><tr><td>Computer software</td><td>straight line basis over 4 years</td></tr></table>	E-books	straight line basis over 5 years	Computer software	straight line basis over 4 years
E-books	straight line basis over 5 years				
Computer software	straight line basis over 4 years				
Insurance Reserve Fund	<p>In 2013, the Association began participating in an insurance program. The Association is responsible for \$10,000 per loss in excess of the individual members' deductible to an annual aggregate of \$100,000 for claims made during each policy period. The policy period is from October 1 - September 30.</p>				
Insurance Premiums Earned	<p>Insurance premiums are included in revenue on a pro-rata basis over the term of the contracts.</p>				
Provision for Unpaid Claims	<p>The provision for unpaid claims is the estimated cost of investigating and settling claims incurred up to the Statement of Financial Position date, and consists of case estimates and related investigation, settlement and adjustment expenses. The provision is based on a "claims made and reported" basis as per the terms of the insurance contract. There is therefore no incurred but not reported obligation under the terms of the agreement.</p> <p>Since the amounts are necessarily based on estimates of the claim severity and other factors, which could vary as the claims are settled, the ultimate liability may be more or less than the estimated amounts. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the provision for unpaid claims is adequate.</p> <p>Estimates subject to uncertainty, are selected from a wide range of possible outcomes and are adjusted up or down as additional information becomes known. All changes in estimates are recorded as claim expense in the current year.</p>				
Joint Arrangements	<p>The Association accounts for its interest in the joint arrangements using the equity method.</p>				

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

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2. Investments

Investments are comprised of money market funds and guaranteed investment certificates maturing between October 2018 and October 2021, with interest rates between 0.40% and 2.38%.

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3. Inventory

Inventory is comprised of publications and promotional materials. The amount of inventory recognized as an expense during the year of \$91,943 (2017 - \$80,553) is included in Publications expense in the statement of operations.

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4. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 2,428,911	\$ 416,472	\$ 2,428,911	\$ 318,730
Computer equipment	260,650	226,982	281,814	252,126
Office furniture and equipment	535,763	238,023	536,523	191,072
	<u>\$ 3,225,324</u>	<u>\$ 881,477</u>	<u>\$ 3,247,248</u>	<u>\$ 761,928</u>
Net book value		<u>\$ 2,343,847</u>		<u>\$ 2,485,320</u>

The amortization expense for the year is \$172,859 (2017 - \$236,000). This expense is included in National office operations expense in the statement of operations.

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

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5. Intangible Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
E-books	\$ 50,708	\$ 35,995	\$ 45,911	\$ 30,999
Computer software	331,874	259,507	331,874	223,323
	<b>\$ 382,582</b>	<b>\$ 295,502</b>	<b>\$ 377,785</b>	<b>\$ 254,322</b>
Net book value		<b>\$ 87,080</b>		<b>\$ 123,463</b>

The amortization expense for the year is \$41,180 (2017 - \$84,725). This expense is included in Publications expense in the statement of operations.

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6. Bank Loan

The Association has an authorized line of credit of \$200,000, none of which was utilized at year end. The line of credit bears interest at the bank's prime rate plus 1%.

The line of credit is secured by a first charge on the following:

- a) a registered general security agreement on all the Association's assets and undertakings, b) a collateral mortgage representing the first charge of the building of \$1,200,000 (net book value of \$2,012,439),
  - c) general assignment of rents and leases, and
  - d) assignment of fire insurance in the amount of \$1,000,000.
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7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$172,773 (2017 - \$163,159).

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

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8. Long-term debt

	2018	2017
Mortgage, 3.11%, repaid September 2018.	\$ -	\$ 301,657
Loan, 3.396%, due May 2021, payable by monthly instalments of \$4,445, principal and interest, secured by a general security agreement, a building with a net book value of \$2,012,439, a general assignment of rents and leases and assignment of fire insurance of \$1,000,000.	627,172	658,784
	627,172	960,441
Less: principal portion due within one year	32,532	48,364
	\$ 594,640	\$ 912,077

The principal payments for the next five years amount to: 2019, \$32,532; 2020, \$33,654; 2021, \$34,815; 2022, \$36,016; 2023, \$36,258. These payments have been calculated under the assumption that the repayment plan will be successfully renewed, based on the present payment terms and interest rates.

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9. Canadian Occupational Therapy Foundation

During the year, the Association provided the Canadian Occupational Therapy Foundation with \$100,000 (2017 - \$100,000) to help fund the Foundation's operations.

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

10. Contractual Obligations

The Association has commitments related to the CarFit program, GridWay, Morgan Leadership Search and office equipment totalling \$128,823 up to July 2021 and includes the following payments over the next three years:

2019	\$	69,811
2020	\$	39,012
2021	\$	20,000

11. Internally Restricted Net Assets

	Opening Balance	Appropriation for the year	Expenses for the year	Ending Balance
Certification Fund	\$ 152,101	\$ 39,001	\$ 16,934	\$ 174,168
Contingency Fund	25,000	-	-	25,000
Special Projects Fund	49,673	47,500	30,634	66,539
Conference Cancellation Fund	150,000	-	-	150,000
Enabling II Fund	99,913	8,591	-	108,504
University Accreditation Fund	16,079	16,514	-	32,593
	<u>\$ 492,766</u>	<u>\$ 111,606</u>	<u>\$ 47,568</u>	<u>\$ 556,804</u>

The purpose of the various funds are as follows:

**Certification Fund**

This fund is used for research purposes for the certification examination.

**Contingency Fund**

This fund was created to allow for a reserve against unbudgeted expenses in future years.

**Special Projects Fund**

This fund is used for activities and events which are deemed to fit within the goals and objectives of the Association, but which are separate from ongoing activities.

**Conference Cancellation Fund**

This is a contingency fund to protect against the risk of forfeiting the expenses incurred to host a conference should unforeseen events prevent people from attending or that cause the cancellation of the conference.

**Enabling II Fund**

This fund is used for the development of the next generation Enabling publication.

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The Canadian Association of Occupational Therapists /  
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Notes to Financial Statements

September 30, 2018

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11. Internally Restricted Net Assets (continued)

University Accreditation Fund

This fund is used for accreditation research and development.

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12. Financial Instruments

Credit risk

The Association is exposed to credit risk on its accounts receivable. The Association routinely assesses the financial strength of its customers and as a consequence believes that its accounts receivable risk exposure is limited. There is no concentration of credit risk at year-end.

Currency risk

Approximately 2% of the Association's revenues and expenses are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at September 30, 2018, cash of \$132,565 (2017 - \$269,916) is denominated in US dollars and converted into Canadian dollars.

Interest rate risk

The Association is exposed to interest rate risk for its fixed and variable interest rate on investments and long-term debt. Fixed interest instruments subject the Association to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Variable rate instruments subject the Association to a related cash flow risk.