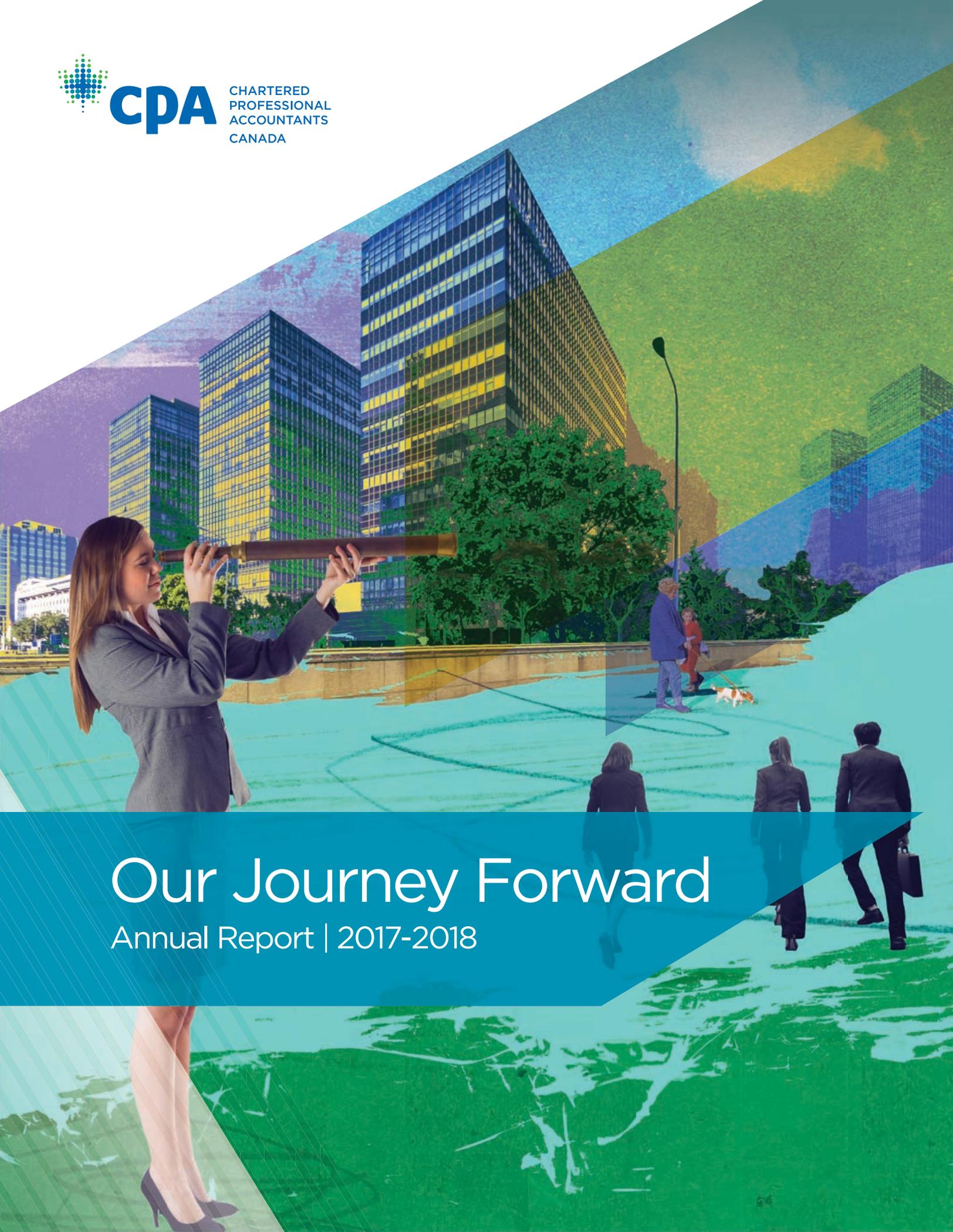




**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
CANADA



# Our Journey Forward

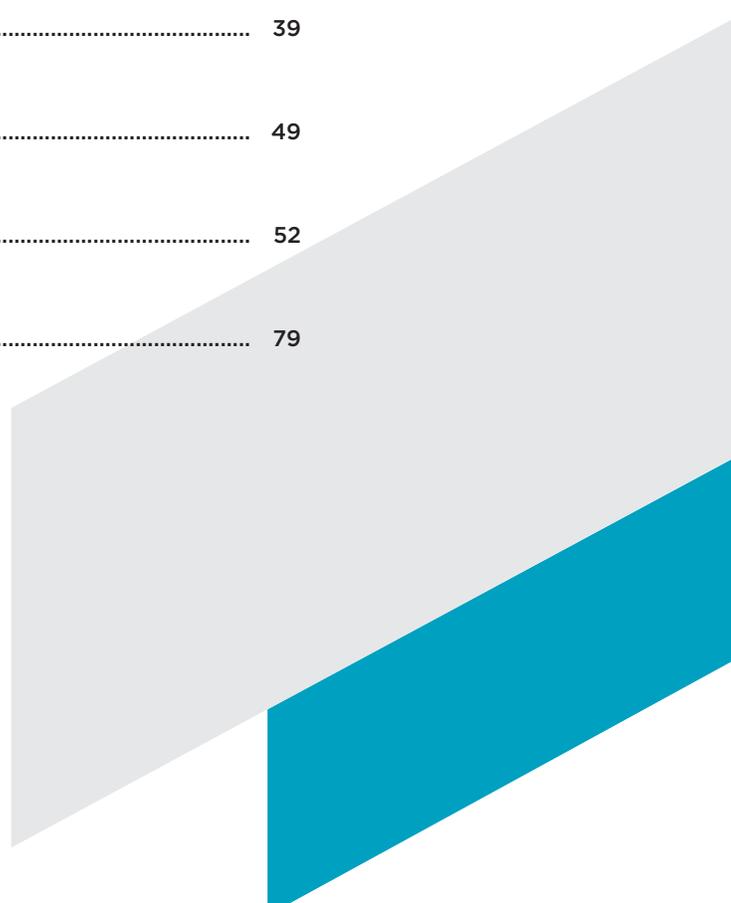
Annual Report | 2017-2018



# Our Journey Forward

Annual Report | 2017-2018

<b>Letter from the President and CEO</b> .....	<b>4</b>
<b>Letter from the Chair</b> .....	<b>7</b>
<b>Management's Discussion and Analysis</b> .....	<b>8</b>
About CPA Canada.....	8
Advocacy: The National Voice of CPAs, Acting in the Public Interest .....	13
Growth: Future-Focused Innovators Building Capacity in Canada and Globally .....	19
Investment: Leaders in Good Business and the Sustainability of the Profession.....	24
<b>Moving Forward</b> .....	<b>36</b>
<b>Operating Environment</b> .....	<b>39</b>
<b>Financial Performance</b> .....	<b>49</b>
<b>Financial Statements</b> .....	<b>52</b>
<b>Governance</b> .....	<b>79</b>



# Letter from the President and CEO

Joy Thomas, MBA, FCPA, FCMA, C.Dir.



## The world is changing fast

Everywhere you look, it's clear. From shifts in technology, climate and demographics, to globalization and new political realities that impact the economy, there is no shortage of opportunities to innovate and make a difference.

This year marks the fifth anniversary of CPA Canada's creation, which at the time represented a key milestone on the path to unification of the Canadian accounting profession. Since then, our organization has worked hard to establish its foundation, direction and vision.

CPA Canada has greater influence and recognition than ever before. We now represent more than 210,000 professional accountants at home and abroad. Our organization is viewed as the trusted and unified voice that carries prominence as it speaks for the Canadian accounting profession nationally and globally.

We've accomplished a lot in five years, yet today's rapidly evolving operating environment requires further transformation so CPA Canada can deliver on its vision and mission.

We are taking action to help our members and businesses better anticipate change so they can adapt, innovate and be more resilient. Doing this work means CPA Canada and its members can shape the future of business and better contribute to economic and social development, both at home and internationally. It is this focus that will ensure the Canadian CPA is recognized as the pre-eminent, globally respected business and accounting designation.

## Making a difference

Over the past year, we mapped out our business plan to develop the CPA Canada balanced scorecard, an evidence-based framework that integrates our operational objectives across all departments and links what we do directly to our vision. The balanced scorecard provides a bird's-eye view of all CPA Canada operations in a way that allows us to be nimble and make course corrections as needed to effectively manage our business in an ever-changing environment. It will guide our decisions as we continue to evolve as a high-performing organization.

Our three wildly important goals for fiscal 2018 were to drive organizational sustainability, become a globally recognized leader and to ensure that the value and relevance of CPA Canada and the profession are maintained and enhanced. In this report you will see how CPA Canada delivered on each of those goals - making fiscal 2018 a year of high performance. Moving forward, we are streamlining those goals by melding them into two core themes that will shape our organization and our work supporting members and other stakeholders.

The first is **make a difference at CPA Canada**. The second is **make a difference in the world**. That latter theme may sound lofty, but the reality is we have been doing just that since our inception as an organization. CPA Canada has a lot to contribute to the world, and our respected voice and values are already helping drive positive change. We are making progress through our education offerings, thought leadership, support for standard setting and our many public-interest efforts.

## Looking ahead

CPA Canada has long been focused on the role of CPAs in the rapidly changing global marketplace. After all, we are not isolated from change and the disruptions and opportunities it brings. In fact, there are definite advantages for our profession based on the skill set of CPAs - the ability to think critically, to apply judgment and act with integrity, and to draw insights from data to drive decision-making that adds value.

We are paying particular attention to several key areas, including emerging technology and disruption, new reporting models, the future of audit and business sustainability in response to drivers of change, including the impacts of climate change. We are also maintaining our emphasis on the Canadian ideal of good business - a unique approach where economic and social success don't just go hand in hand, but rather are collectively fundamental to Canada achieving future prosperity.

CPA Canada understands that lifelong learning is vital to the future success of CPAs and offers an unprecedented range, depth and variety of professional development opportunities to enhance knowledge and skills. We also lead several projects on the future of CPA education, both in terms of content and learning methodologies, to ensure that the next generation of business leaders have the expertise required to effectively navigate change.



To ensure a strong foundation, we will continue investing in new technology, tools and processes to improve the organization's ability to meet the needs of members. Our digital transformation initiative is a critical enabler. Through the implementation of a data warehouse and analytical tools, we will have better access to high-quality data about members, students and other customers, and their interactions with us. This will help us provide members with the information they want and need through their preferred delivery channels.

Our employees are essential to delivering on CPA Canada's strategic priorities and achieving success. We value and appreciate their contributions, and the organization is committed to building a collaborative, constructive work culture through enhanced employee communications facilitated by our new change management initiative, and continued investment in professional development.

CPA Canada has initiated the Excellence Journey to meet a third-party standard for operational excellence that is proven to strengthen organizational efficiency and effectiveness and foster a solid, constructive culture. The decisions and investments made today will drive long-term improvements, value and viability for CPA Canada, its employees and the profession.

## What's next?

I remain inspired by how much we have accomplished as a profession, and I am excited about what lies ahead. Which brings me back to CPA Canada's purpose, and our commitment to sustainable economic growth that is deeply interconnected with social development.

Keeping the Canadian ideal at the heart of all our work is our guide. We enhance the influence, value and relevance of the profession by connecting *who we are* as a nation with *how we approach business* as an organization and as a profession. That powerful focus on our highest purpose is what differentiates us from others and ensures that, collectively, our profession is driving positive change.

# Letter from the Chair

Terry LeBlanc, BBA, FCPA, FCGA



## Celebrating five years

This year marks a special anniversary for CPA Canada: five years since we first became operational. And what a journey it has been for us! We are operating as one unified profession and have strong, productive partnerships in place among the national, provincial, territorial and Bermudian CPA bodies as set out in the *Collaboration Accord*.

It has been a pleasure to work with my colleagues across the country and in Bermuda, who have exhibited a true spirit of collaboration. From attending meetings and events to speaking at convocations, they have created connections that are invaluable in building strong partnerships. These partnerships also ensure that the board is fully cognizant of challenges and triumphs within the profession, while being able to share a national perspective with the various jurisdictions in return.

## A commitment to good governance

The role and structure of the national board are critical to the ongoing sustainability of our profession. As a strong national organization, we are best positioned to meet our mandate to deliver the benefits of sound governance for the Canadian CPA profession and our CPA members while acting in the public interest. The board has integrated long-term economic growth and social development as strategic priorities — key values that are aligned with the Canadian ideal of good business.

The streamlined CPA Canada board has now completed its second year of operation. Reducing the number of directors from 22 to 12, as part of the post-unification transition plan, has enhanced efficiency and agility in decision-making, while continuing to ensure that the perspective of regional CPA bodies and the public is brought to the table.

Our bylaws ensure regional representation. Through collaboration with provincial, territorial and Bermudian bodies in the nomination process for directors, CPA Canada strives to achieve many forms of diversity that are the hallmark of a strong and effective board. This includes a mix of professional experience, skills, languages, gender and other key factors that best reflect our membership. Three new directors were elected during the year: Fahd Bouayed, CPA, CA (Québec), Dan Little, FCPA, FCA (British Columbia/Yukon) and Amanda Whitewood, FCPA, FCMA (Vice-Chair).

As I approach the end of my first year in office as chair, I'd like to express what an honour it has been to serve in this capacity, offering guidance on important issues and helping to shape the future of the profession. Our vision of a globally recognized and respected Canadian CPA designation has become a reality. I look forward to seeing the reach and influence of the Canadian CPA grow as our organization continues to make its mark worldwide.

# Management's Discussion and Analysis

## About CPA Canada

### Mission

CPA Canada exists to act in the public interest, support our members, and contribute to economic and social development.

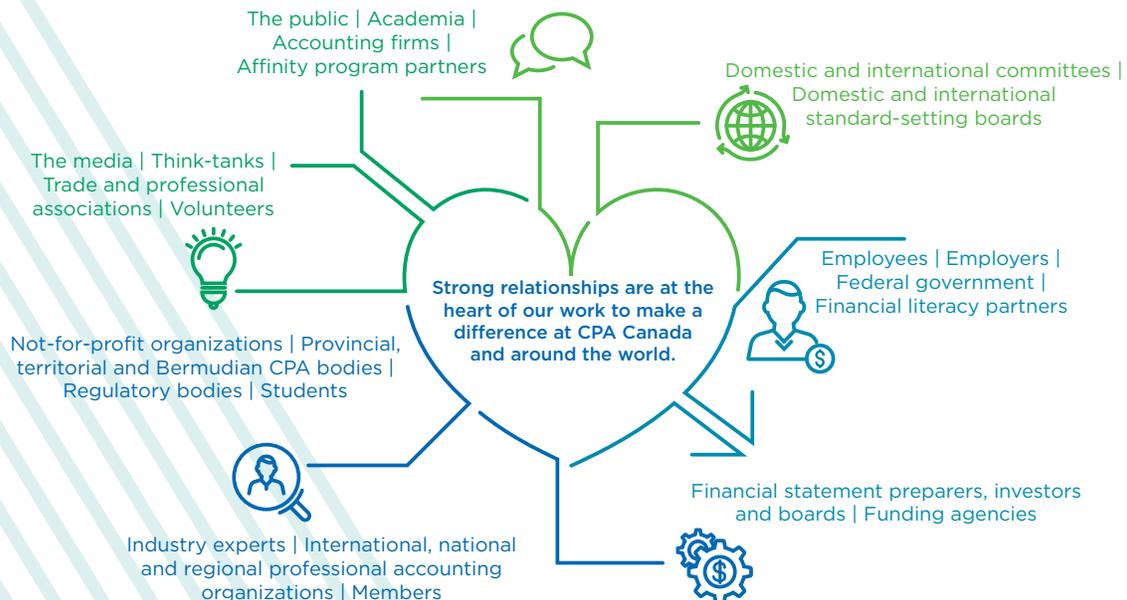
### Vision

The Canadian CPA is the pre-eminent, globally respected business and accounting designation.

### Values

Canadian CPAs are valued for their excellence and integrity as trusted business and accounting professionals.

## Our stakeholders



## Our organization

### Committed to continual improvement at every level

We are committed to building a resilient and adaptive organization. That starts with a constructive culture that supports operational requirements for each area of the organization. It also includes the ongoing evolution to maintain relevance and be sustainable in today's ever-evolving business environment.

This year, we continued our multi-year plan to improve leadership, foster excellence and deliver on strategic business objectives, all with a goal to enhance member value. A great example is the initiative to streamline processes and enhance organizational design in our Member, Development and Support group. The restructuring was an investment with an eye to the future, ensuring that we deliver the best possible products and services to our members.

Another key component of this is the organization's digital transformation initiative to help us better understand the needs and interests of members by collecting and analyzing online data. With this information, we can provide excellent customer experiences and engage our members and stakeholders through enhanced digital approaches to our education, professional development and communication initiatives.

### The CPA Canada excellence journey

During fiscal 2018, CPA Canada launched a comprehensive journey to organizational excellence, partnering with Excellence Canada, the country's national not-for-profit organization committed to helping organizations succeed and excel.

Pursuing organizational excellence allows CPA Canada to aspire to national standards and hold ourselves accountable for results. Ongoing success through planned, progressive improvement will also help us focus on the key drivers of excellence: leadership, planning, customers, people and processes.

Effective implementation of the Excellence, Innovation and Wellness (EIW) standard will create more value for CPA Canada, such as reduced costs and higher revenue, improved processes and increased employee satisfaction. We are committed to excellence over the long term and will be pursuing all levels of certification under the EIW standard.

CPA Canada's formal objectives, as noted in the excellence charter, are to:

- Enhance organizational efficiency and effectiveness to better serve stakeholders



CPA Canada employees participate in planning and information sessions to support the organization's excellence work.

- Create a culture of innovation that drives initiatives aimed at improving our organizational sustainability
- Create a culture of excellence through quality initiatives that focus on continuous business process improvement and utilize technology, where appropriate, to effect positive change
- Foster an engaging, healthy and positive work environment for our people
- Consult and engage with our members, customers and key stakeholders to achieve better outcomes
- Take informed risks, regularly evaluate the outcomes of our work, share ideas and learn from our mistakes
- Respond to our environment and adjust priorities as required, with the goal of excellence

This year's work on the EIW standard – specifically the robust planning, assessment and employee engagement that has informed our organizational excellence initiatives – led to high praise from Excellence Canada for a best practice approach.

## Innovating to better serve and inform our members

CPA Canada's new integrated marketing and communications plan largely moves away from a traditional print-based approach to a digital world. We are increasing our use of stories, videos and other visuals to take advantage of various communications channels and to ensure we are delivering the content members want, how they want it and when.

The February/March edition of *CPA Magazine* was the last issue of the national magazine under that name. In the spring, we relaunched our print magazine as *Pivot*, publishing six times a year. The new name captures an essential feature of business, society and the economy, since to be successful, organizations must be able to pivot or change direction quickly in response to change.

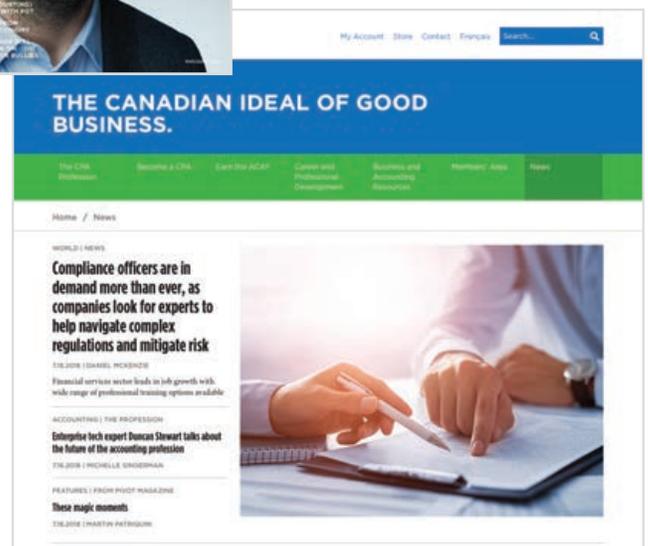
*Pivot* will feature high-calibre content that dives deep into Canadian business with a unique CPA-focused lens. The publication will provide interesting insights and analysis of the people, organizations and ideas that are shaping the business world of today and tomorrow.

To complement *Pivot*, we have also created the Online News hub. Located under the "News" tab on the CPA Canada website, it is designed to provide fresh, timely and relevant information conveyed in news and story formats. Members and other stakeholders can expect content that explores unique perspectives on business, economics, culture, politics and the profession in Canada, from coast to coast.

Along with our social media platforms, the Online News hub forms an integrated communications network that is helping our organization drive increased engagement with members and the broader business community.

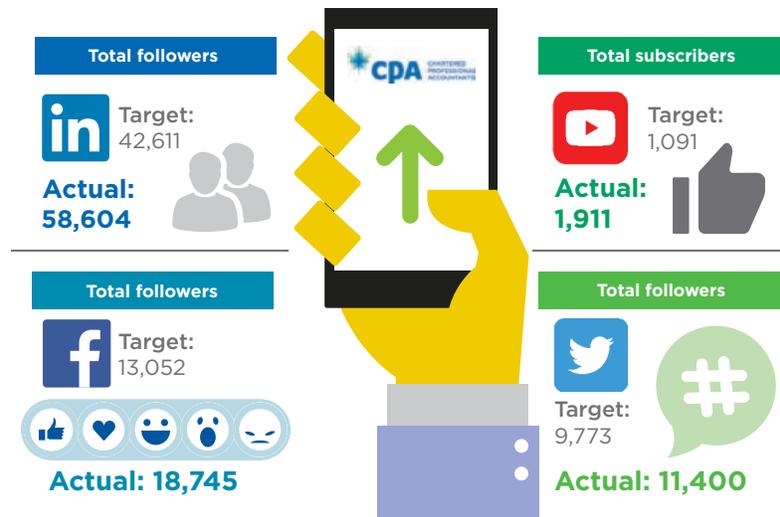


Inaugural May/June 2018 issue of *Pivot* magazine and newly created Online News hub (below).



## Sharing the CPA Canada story online

It has been a record year for CPA Canada on social media. The development and launch of a new social media strategy led to impressive audience growth and engagement. Story-driven content helped improve our online presence by inspiring and engaging members and stakeholders, driving close to 110,000 visits to the CPA Canada website. Overall, our strategy has been successful, with gains recorded across a variety of platforms.



## Enhancing the reputation of the profession

CPA Canada continues to experience increasing positive media visibility around key areas of focus, climbing 15 per cent in fiscal 2018. This was achieved through proactive and strategic outreach combined with exceptional teamwork across various departments.

CPA Canada is often a go-to source for the country's largest and most respected media outlets, providing coverage on a wide range of issues including financial reporting, auditing, professional development, sustainability and climate change, technology, financial literacy and tax.

Notably, we received significant first-wave coverage around the proposed tax changes for private corporations, the federal budget and quarterly economic snapshots. CPA Canada was also featured prominently in the international media.



Bruce Ball, Vice-President, Taxation, is in the television studio at the Business News Network (BNN), talking tax and answering viewer questions on tax planning.

*Photo courtesy of BNN Bloomberg*

## The CPA Heritage project

To celebrate the 150<sup>th</sup> anniversary of Confederation, we created an online compilation of powerful stories about the people and events that contributed to the profession's rich history in Canada. This included special profiles on Canadian CPAs who have gone above and beyond to build public trust, women who pioneered in the field and a unique visual timeline of how accountants have helped shape Canada over the years.



### PD and Events Guide earns an international MarCom Award

CPA Canada's *PD and Events Guide* won gold for digital media in the e-newsletter category at the 2017 MarCom Awards, an international competition for marketing and communications professionals. In addition, the campaign for The ONE National

Conference 2017, which led to record conference attendance, received an honourable mention in the strategic communications category.

The *PD and Events Guide* is produced twice a month with feature stories on hot topics and news for the profession, as well as the latest information for members on upcoming professional development products, including webinars, courses and conferences.

## Getting involved with the community

### Employees giving back

Volunteering generates a vibrant energy in communities. That is why CPA Canada maintains a highly successful Employee Volunteer Program (EVP) that provides avenues to support and assist community projects in the four cities CPA Canada has offices (Burnaby, Toronto, Ottawa and Montreal). Nationally, our organization raised over \$71,000 for a variety of charitable organizations.

The Employee Volunteer Program is valuable in many ways, as it helps to build skills, connect employees with the community and bring individuals from different departments together.

### CPAs who proudly serve

Canadian CPAs serve their communities in many ways, including volunteering on CPA Canada committees. Our member volunteers are essential to helping CPA Canada succeed. Their dedication, commitment and willingness to share their expertise is vital. There are more than 700 individuals who dedicate their time, energy and knowledge to the CPA profession through important strategic activities, such as serving on one of our 100 boards, committees, task forces and advisory groups. We also have active volunteers supporting our work and membership overseas in all seven international chapters.

We appreciate being able to tap into the insights and recommendations of our member volunteers as recognized experts. CPA Canada's employees also benefit from the opportunity to work with such high-calibre professionals.



CPA Canada volunteers plant trees in Mississauga (top) and help coordinate activities for kids at Macaulay Sports Day (bottom).

## ADVOCACY

# The National Voice of CPAs, Acting in the Public Interest

CPA Canada is elevating the voice of the profession on a number of federal policy issues that are important to the public interest. In doing so, we are making a difference by **advocating** for the public and working to improve the lives of everyday Canadians.

### Public policy and the Canadian ideal of good business

#### CPA Canada's public policy agenda

Good public policy enhances our society and economy by addressing issues that are relevant to all Canadians. This year, CPA Canada continued to contribute to the public policy process through consultations with the federal government and our own research on current and emerging issues.

We strive to positively influence public policy and contribute to economic and social development in ways that align with the Canadian ideal of good business, including the cultivation of a healthy economy.

#### High-impact visibility for CPAs on Parliament Hill

The expertise and value of CPAs was showcased on a range of business and public policy subjects. CPA Canada achieved this by:

- Meeting with parliamentarians and key government officials
- Securing extensive news coverage of our federal budget analysis, which received 3.3 million impressions - the highest level in four years
- Sharing economic policy research at roundtable events and panel discussions
- Engaging our top public sector stakeholders, as well as working with other national associations and think-tanks at major events such as those hosted by Canada 2020, the C.D. Howe Institute, the Public Policy Forum and the Institute for Research on Public Policy
- Sponsoring high-profile activities in Ottawa such as the Parliamentary Internship Program, the Politics and the Pen Gala and the Hill Times All Politics event



(Top): CPA Canada's chief economist Francis Fong participates in a panel discussion on precarious employment at a Policy Options event.

(Bottom): Alain Côté, former chair of the CPA Canada Board of Directors, participates on a panel at Canada 2020's 4th Annual Conference.

- Arranging for two senior federal cabinet ministers to address attendees at The ONE National Conference in Ottawa
- Reaching out through the media to address tax-related issues, such as CPA Canada's call for a comprehensive tax review

### Providing expertise on tax matters to the Canadian government

As an expert on tax matters that affect our economy and the public, and as the country's leading provider of tax education, CPA Canada is a respected voice on taxation. Our initiatives, guidance and positions are supported by the expertise of more than 100 volunteers who contribute to various tax-focused committees.

A primary focus in fiscal 2018 was the federal government's proposed tax changes for private corporations. Throughout the consultation process, we considered the public's best interest, kept members informed and liaised with the government. In addition to raising our views and concerns with the Finance Minister's office as well as the Prime Minister's office, we made a formal submission as part of the consultation process. Additionally, three separate submissions were made by the joint tax committee of the Canadian Bar Association and CPA Canada, addressing the technical complexity of the proposals.

Budget 2018 included a new approach related to passive income for private corporations. In our view, that particular plan is much simpler than what was originally proposed, and the government deserves credit for listening to Canadians.



CPA Canada's Bruce Ball, Vice-President, Taxation, and Federal Finance Minister Bill Morneau, on budget day in Ottawa.

CPA Canada is pleased that one of its recommendations was referenced in the Senate Finance Committee's report on those tax proposals, echoing our call for a review of the entire tax system. We firmly believe that incremental, ad hoc fixes are not a long-term solution. Rather, they create further complexities, inefficiencies and unintended consequences.

### Budget Day 2018

CPA Canada received extensive media coverage around the federal budget delivered in February 2018. The priority was to focus on tax measures and to reiterate our call for a comprehensive tax review. Our commentary included insights on:

- The government's new approach related to passive income for private corporations
- The need for a comprehensive review of Canada's tax system
- A Finance Canada-led analysis of the impacts of the U.S. federal tax reforms on our country
- Issues regarding the timeline of return to a balanced budget
- Further investments by the Canadian government to combat tax evasion

More than 70 individual media articles appeared with CPA Canada commentary in prominent outlets such as the *Globe and Mail*, *National Post*, *Toronto Star*, *Canadian Press* and CTV News. The social media approach this year was refined and focused on creating timely, sharable content. The use of different formats such as animation, photos, infographics and video proved extremely effective.



Members of CPA Canada's team in Ottawa preparing for budget day.

## Tackling the challenges of precarious employment and income inequality in Canada

CPA Canada released two noteworthy public policy reports this year, each authored by our Chief Economist, Francis Fong. The first report focused on income inequality, which found that increasing inequality is the worst in Canada's four largest cities. A goal of the research was to spark further discussion on the issue, providing greater precision about where the problem is being felt most. This research generated interest from other national business organizations and the media.

The second report delved into the complexity of defining precarious work. The report discusses why the issue of precarious work is as complex as it is in Canada, and highlighted where and among which population groups it may be growing the fastest. In addition to garnering interest from the federal government and the media, the research was presented by our chief economist to several policy organizations.



Source: *Navigating Precarious Employment in Canada: Who is Really at Risk?* By Francis Fong, Chief Economist, CPA Canada.

## Contributing to the fight against money laundering and terrorist financing

We actively participate in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime (AML/ATF), and have recently provided input to the Department of Finance regarding how to combat money laundering and terrorist financing.

We are committed to taking a leadership role in the fight against these activities and have recommended that Canada should consider initiating a cooperative and consultative process with key stakeholders, including regulators in the public and private sectors, to develop a risk-focused strategic blueprint.

This strategic blueprint will protect Canada's brand and the integrity of our financial system for the future. It will also revisit the roles and responsibilities of key stakeholders and outline efforts that address the most pressing challenges and opportunities for improvements and effectiveness, including:

- Enhancing transparency of ownership of Canadian assets to improve due diligence
- Encouraging individuals and organizations to report misconduct by providing adequate protection against retaliation
- Benchmarking Canada's work against those countries that are most active in the prosecution of money laundering and terrorist financing-related offences

CPA Canada is committed to engaging in these important issues that affect all Canadians. We recognize that threats such as money laundering, terrorist financing and other forms of illegal and unethical conduct can hurt our country's reputation, economy and society.

# Thought leadership, professional development and best practices: governance and ethics

CPAs are recognized as trustworthy professionals and strategic business advisers who serve with integrity. We support our members in maintaining that reputation by offering events, courses and publications on governance and ethics.

## The Road to Directorship: Getting Board Ready

This event series was jointly presented by CPA Canada, CPA provincial bodies and Women Get on Board. Roundtable events were held in seven cities across the country, catering to mid-career CPAs who are keen to take the next step in their professional life and prepare for a role on a board. Organizers and attendees shared insights, tips and recommendations.

## Board Oversight of Not-for-Profit Collaboration: Questions for Directors to Ask

A practical guide to help directors oversee their organization's collaborative pursuits and ensure they advance their organization's mission with efficiency, effectiveness and values-based decision-making.

## Ethics Online Course Series

In our growing age of transparency, ethics matter. Ethics also present an opportunity for CPAs to uphold the Canadian ideal of good business, where integrity and the bottom line are not mutually exclusive. That is why CPA Canada introduced a new series of flexible professional development offerings in ethics this year, tailoring the options to ethics for the CFO, auditor and consultant.



## Building a strong foundation for Canada's future with accessible financial literacy education

Financial literacy is a fundamental driver of economic health for individuals, communities, businesses and the broader Canadian economy. Our international award-winning financial literacy program continues to empower Canadians through helpful resources, publications and free in-person sessions for a wide range of audiences, including:

- Adults
- Seniors
- New Canadians
- Elementary and high school students
- Post-secondary students
- Small and medium businesses
- Entrepreneurs
- Remote communities in the Arctic (NEW!)
- Not-for-profit organizations

Through this program, we are helping people gain the knowledge needed to make more informed financial decisions. Doing so helps individuals become better money managers and touches on our values associated with the Canadian ideal of good business: sustainable growth, compassion and social development.



Author Lisa van de Geyn holds up a copy of CPA Canada's *Babie\$: The Real Story of How Much They Cost* (above).

CPA Canada's Vivian Leung, Lead Principal, Taxation, at the book launch in Vancouver (below).



## Financial literacy highlights

Published a new book called *Babie\$: The Real Story of How Much They Cost*

Won an Excellence in Financial Literacy Education (EIFLE) Award



Established partnerships in communities, business and government



Five new sessions, with options for students and new Canadians



Won Thought Leadership Initiative of the Year Award from two U.K. publications



1,900 sessions took place, reaching 50,000 Canadians



Expanded programs in the Arctic, Barbados and British Columbia



# Building capacity in partnership with Indigenous communities

## Access to meaningful mentorships for youth

Engaging Canada's Indigenous communities is very important to us. CPA Canada proudly collaborates with the Martin Family Initiative to offer a specially focused mentorship program in which professional accountants mentor Indigenous high school students.

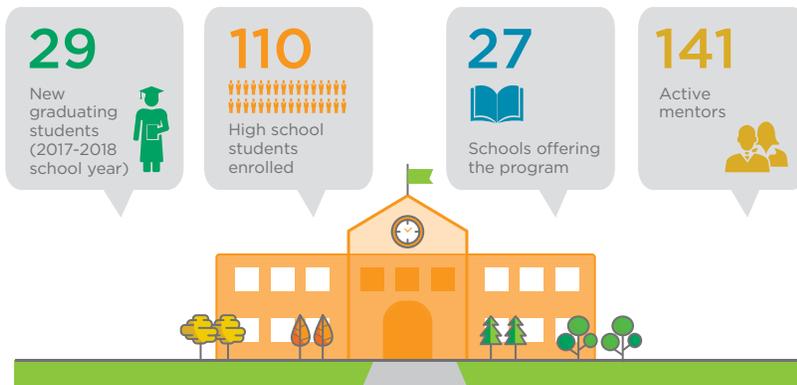
The program aims to increase high school graduation rates, encourage students to enroll in post-secondary programs and support them as they consider careers in business or accounting. It is now active in 27 schools in seven provinces across the country, with an inclusive approach that respects Indigenous cultures. This year brought new mentorship teams from the Office of the Auditor General of Canada and the Office of the Comptroller General, as well as a pilot project with CPA British Columbia.

## Opening new career pathways

CPA Canada established a memorandum of understanding (MOU) with the Aboriginal Finance Officers Association of Canada (AFOA Canada) to increase the number of Indigenous people entering the fields of business and accounting, while supporting capacity building and financial self-determination in Indigenous communities.

This MOU continues to create alignments between AFOA Canada's Certified Aboriginal Financial Manager (CAFM) program and CPA Canada's Advanced Certificate in Accounting and Finance (ACAF) program. We understand that further alignments will also lead to greater opportunities for collaboration, career growth and academic credits that apply to both programs. To complement the existing MOU, CPA Canada is working on a joint project with AFOA funded by Employment and Social Development Canada (ESDC) that will include pilot mentorship initiatives to enhance overlap between ACAF and CAFM.

## CPA Martin Mentorship Program for Indigenous High School Students



## GROWTH

# Future-Focused Innovators Building Capacity in Canada and Globally

CPA Canada's work supports inclusive **growth**, the expert navigation of emerging trends and how we are leading innovation at home and abroad. Whether it's understanding new technology or building capacity internationally through new agreements and relationships with other accounting bodies, we are exercising our influence for the greater good.

### Building a proudly dynamic and global profession

CPA Canada has strategic partnerships across the world to collaborate on support for development of the profession globally. We are also expanding the presence and influence of the Canadian CPA abroad by offering CPA programs and services, building relationships with global accounting organizations and spearheading capacity-building initiatives.

We continue to partner with local professional accounting organizations, regulatory bodies and international Canadian CPA chapters on a wide breadth of activities throughout the Caribbean and Asia, including conferences, programs and events that advance thought leadership, enhance skills, encourage volunteerism and create community awareness.

We participated in mutual areas of interest for the profession internationally, such as capacity building, by working with the Confederation of Asian and Pacific Accountants, the Institute of Chartered Accountants of the Caribbean and the International Federation of Francophone Accountants (Fédération Internationale des Experts-Comptables Francophones, or FIDEF).

In this spirit, CPA Canada hosted various delegations of international accounting organizations in our offices, keeping lines of communication and collaboration open. In the past year, this included support for South Korea and China.



(Top): Nancy Foran, Vice-President of International, at the Public Sector Conference 2018, presented by the Institute of Chartered Accountants of Barbados and CPA Canada. This year's theme was Public Financial Management (PFM) Reforms in Barbados - Challenges and Opportunities.

(Bottom): Joy Thomas, President and CEO, welcomes representatives from the Guangdong Provincial Institute of Certified Public Accountants of China.

### Student growth outside of Canada

Our goal to see growth in student enrollment in strategic regions is on track.

We are making progress to ensure every student in China has access to the Canadian CPA program. CPA Canada partners with top-tier universities in China that offer international accounting programs taught in English. We are currently working with 12 partner universities, with another expected to come on board this fall. To reach individuals in industry, we have also begun to launch the program outside the partner university system.

In the Caribbean region, enrollment increased by 32 per cent for preparatory courses and by 22 per cent for the CPA Professional Education Program. Our university network includes three in-person campuses with the University of the West Indies, plus an online option. Currently, work is in progress to expand to new universities throughout the region. Fiscal 2018 also marks the first year that individuals from the Caribbean were among those who successfully completed the profession's Common Final Examination.

Delivering our programs in China and the Caribbean not only demonstrates our commitment to these parts of the world; it supports the crucial development and growth of local accounting professions. By ensuring access to an internationally recognized education program like the Canadian CPA, we are able to provide valuable support for emerging professional accounting organizations (PAOs).

CPA Canada contributes through other forms of assistance and collaboration as well, such as showcasing thought leadership and offering professional development products and services to our global members and the business community at large.

### A thriving community of global CPAs

Our international member network of more than 12,000 Canadian CPAs is thriving as we work to ensure that there is a chapter present in each jurisdiction with 100 or more active CPAs. International CPA Canada chapters are active and doing great work to support the profession and the Canadian CPA designation abroad. Right now, we support our international members with vibrant chapters in Hong Kong, Shanghai, Beijing, Guangzhou, Barbados, the Cayman Islands and Trinidad and Tobago. We also provided support to members in the United States by working with the Association of Chartered Accountants in the U.S.

It was a very active year for our international chapters, which hosted 27 professional development events and 19 networking and social events.



CPA Canada welcomes the first Common Final Examination graduates from the Caribbean at the inaugural Convocation ceremony held in Barbados. New graduates on their way to becoming Canadian CPAs in the future are (from left) Russell Pooler, Cherise Forde, Nikita Bayne and Romono Small.

## International dialogues and collaboration

Globalization is having a significant impact on how accounting organizations operate and CPA Canada is no exception. As the world becomes more interconnected and new drivers of change emerge to shape the business landscape, global accounting bodies must follow suit to grow and expand their influence.

We are working to maintain our well-respected position on the world stage while enhancing our influence in international dialogues. To accomplish this, we work closely with international committees and associations to ensure an integrated approach as we tackle core issues affecting the profession together.

### International Federation of Accountants (IFAC):

By working with IFAC, we ensure that the Canadian profession has a global voice while contributing to the development of strong international economies and promoting high-quality professional standards. We have two Canadian CPAs on the board – CPA Canada President and CEO, Joy Thomas, and Auditor General of British Columbia, Carol Bellringer. Through IFAC, CPA Canada and the Canadian profession also proudly support the work of the International Auditing and Assurance Standards Board (IAASB), the International Public Sector Accounting Standards Board (IPSASB) and the International Ethics Standard Board for Accountants (IESBA). In addition, Canadian CPAs sit as both staff and volunteers on IFAC's Small and Medium Practice Advisory Committee, the Professional Accounting Organization Development Committee and the Professional Accountants in Business Committee.

**Global Accounting Alliance (GAA):** As a member of GAA, which is currently chaired by President and CEO Joy Thomas, CPA Canada is one of 10 major national accounting bodies that work with national regulators, governments, stakeholders and international bodies to promote quality accounting services, share

information and collaborate on important international issues. We have representatives on several GAA committees to help navigate the opportunities and challenges that face the profession at a global level.

## Streamlining Canada's approach to foreign credential recognition

### Changing demographics in Canada

How we approach immigration as a nation, and a profession, is part of a larger ongoing conversation about labour, skills, the future of business and the economy. We understand that for foreign-trained professionals coming to Canada to contribute to their fullest potential, we must find pathways that support transparent and fair credential recognition.

Across different industries, Canada is increasingly relying on internationally trained talent to meet the demand for professionals and skilled workers. Our profession is no exception. CPA Canada is working on strategies to address the effect of demographics on the Canadian CPA profession.

A significant share of our Canadian membership will be retiring in the coming years, and it does not appear likely that all of them can be replaced through domestic channels. In terms of non-retired members, only 34 per cent are under the age of 40, and many older professionals are expected to retire in the next 10 to 15 years. Immigration is an essential component in maintaining the required demand for CPAs, now and in the future.



### Taking action to enhance labour mobility

As an active partner in the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications, we are working to facilitate ongoing dialogue between the Government of Canada and national professional bodies, as well as provincial governments and provincial regulatory bodies. The purpose of this framework is to ensure that the qualification assessment process is fast, fair and transparent. It also integrates feedback from education providers, immigrant settlement agencies and employers to provide the appropriate support for internationally trained accountants as they work to gain Canadian credentials and contribute their talents and skills to the Canadian economy.

By looking outward, Canada and Canadian organizations can seek new horizons for prosperity. Streamlining opportunities for internationally trained accountants is one of the most tangible and strategic ways that we can start making changes today, while effectively investing in and preparing for the challenges and opportunities of tomorrow.

Through the International Qualification Appraisal Board (IQAB) and on behalf of the profession, CPA Canada signed the following during fiscal 2018:

- A memorandum of understanding (MOU) with the Institute of Chartered Accountants of Pakistan
- A mutual recognition agreement (MRA) between Canada, the United States and Mexico
- A new reciprocal membership agreement with the Institute of Chartered Accountants of Scotland, the Institute of Chartered Accountants of Ireland, the South African Institute of Chartered Accountants and the Chartered Accountants of Australia and New Zealand

### Bridging options for international accountants

Internationally trained accountants may also be able to benefit from a program called the Advanced Certificate in Accounting and Finance, or ACAF.

ACAF was introduced to meet a gap in the marketplace for a mid-tier accounting credential. Qualified individuals can earn the ACAF in as little as eight to 12 months of part-time study, providing them with a Canadian credential that can help them secure that all-important first accounting job in the country.

For example, in support of the Canadian government's immigration strategy, CPA Canada recently launched ACAF in the Philippines. This was accomplished in coordination with the Philippines Institute of CPAs and the Philippines Board of Accountancy to offer pre-arrival support for professional accountants moving to Canada.

Another consideration for internationally trained accountants is integrating into the Canadian business culture. Our Guide to Accounting Business Culture is an important initiative. It is a flexible self-study course with input from dozens of employers and internationally trained accountants, with the goal of reducing the potential unintended cultural bias and related barriers for newcomers. The guide explains how to navigate through different workplace situations and offers insights on the expectations of Canadian employers.



Participants at the signing of the renewal of the trilateral mutual recognition agreement between Canada, the United States and Mexico.

# Thought leadership, professional development and best practices: emerging technologies and adapting to change

A strong understanding of new technology and other disruptors is critical for the profession. To keep up with the evolving operating landscape, CPA Canada produces thought leadership, issues guidance and hosts events to help business leaders effectively navigate change.

## Could Blockchain Be an Enabler for Climate Action?

CPA Canada hosted a panel, in collaboration with the University of Toronto's Environmental Finance Advisory Committee, on how blockchain is being considered as a solution for managing transactions in carbon markets. It brought together members and stakeholders to discuss the ramifications of emerging trends and issues in this area, while identifying new technologies and sustainability as strategic priorities.

## Blockchain Technology and Its Potential Impact on the Audit and Assurance Profession

Our cutting-edge research in this area is helping CPAs in the audit and assurance field understand the impact of blockchain on process and strategy. This publication addresses the opportunities and challenges blockchain could bring to financial statement auditing, and the future role of CPAs in the blockchain ecosystem.

## Corporate Reporting in a Digital World

CPA Canada assembled a panel of experts in October 2017 to share insights on evolving corporate reporting practices in an increasingly digital world, and how companies can adapt by using technological advancements, including eXtensible Business Reporting Language (XBRL).

## Management Accounting Guidelines (MAG®)

We launched an updated set of Management Accounting Guidelines to help CPAs address the day-to-day business issues of management accounting, including strategic insights and guidance on operations, risk, financial performance, leadership and more. We also established the Strategic Management Accounting Review Committee to support the ongoing development and maintenance of MAG®.

## Drivers of Change: Navigating the Future

This report looks out to 2030 to identify the forces shaping the future of the Canadian and global business community. It is intended to inform and educate CPAs and other leaders in business, not-for-profit organizations and the public sector on global trends. Key areas driving change: economic, environmental, technological, societal and geopolitical.

## Future of Audit Symposium

In partnership with the Institute of Chartered Accountants of Scotland, CPA Canada hosted 75 senior accounting professionals in November 2017 to discuss auditing in the future, focusing on three core topics: the profession's role in the reporting of key performance indicators, audit data analytics and the skill set that will be required of auditors in the future.

## INVESTMENT

# Leaders in Good Business and the Sustainability of the Profession

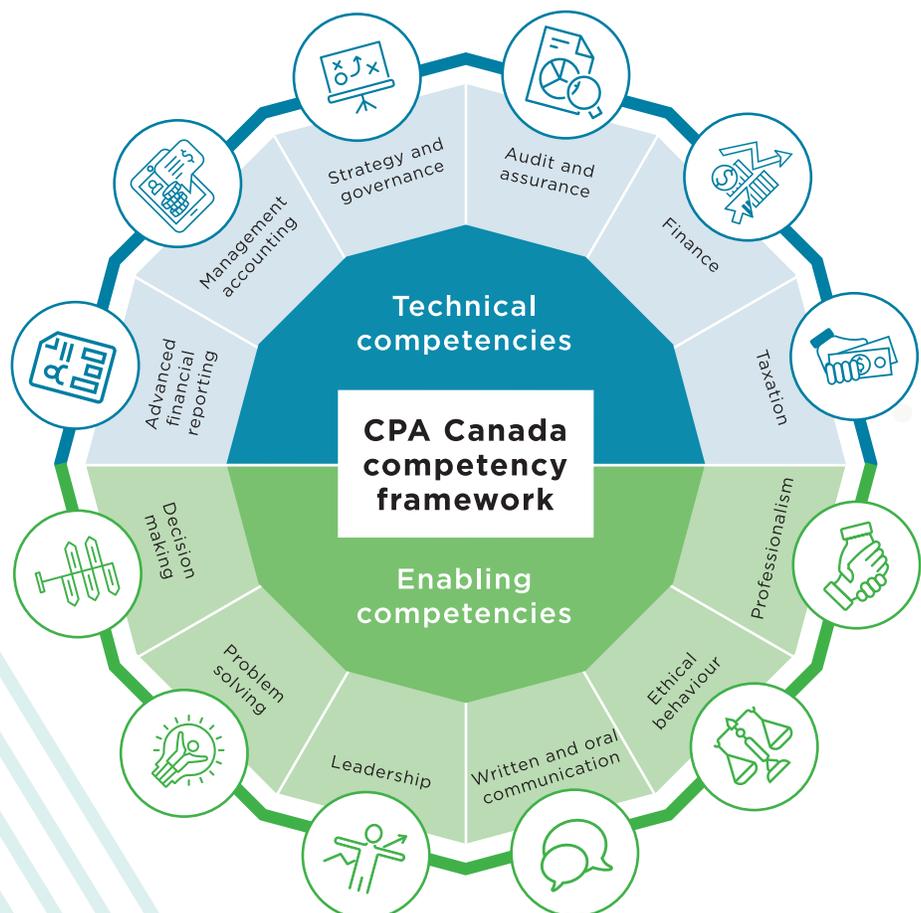
CPA Canada is **invested** in strategies that support the long-term viability of the profession. We are proud to champion best practices and resilience in the face of change – from innovative education and professional development, to the evolution of audit and financial reporting, to excellence in climate change adaptation and sustainability.

### The right skills for the next generation of business leaders

The CPA Canada competency framework describes the knowledge, skills and proficiency that guide Canadian CPAs in practice, industry, government and other sectors. The purpose of the framework is to ensure that all members have a strong common foundation to work from to grow their career, along with the necessary values to succeed as a professional accountant.

This year CPA Canada continued development of the competency framework initiative to ensure that CPAs have the right skills for the future. Focus groups and interviews, along with a broader survey that received 3,698 member responses, were completed in fiscal 2018. The resulting preliminary research is being incorporated into professional learning and development offerings as well as pre-certification products for students studying to become CPAs.

The framework will reflect new business needs and the evolving challenges of CPAs operating in a complex global business environment – from how to harness the power of data analytics and new technologies, to instilling an increased focus on ethics and best business practices, to emphasizing core skills in adaptability, leadership and strategic foresight.



## A top-quality education that lays the foundation for success

### Collaboration with the provinces

CPA Canada is responsible for the development of the curriculum of the CPA Professional Education Program (CPA PEP). To support demand and ensure access to the profession through this program, CPA Canada also develops and maintains a suite of 14 foundational courses, called CPA preparatory courses.

CPA PEP and CPA preparatory courses reflect an important ongoing partnership between CPA Canada and the provincial and regional CPA bodies, based on a commitment to harmonized, quality programming. This year saw over 5,776 new students enrolled in CPA PEP and 2,772 in CPA preparatory courses, with 7,222 CPA students writing the Common Final Examination (CFE) in September 2017.

CPA Canada participates in an education agreement with provincial and regional CPA bodies. This agreement lays out the responsibilities of each party in the profession regarding the development and delivery of education and examination components for both the CPA PEP, CPA preparatory courses, and the CFE.

### Helping CPAs stay ahead of the curve

CPA Canada's pre-certification education program is one of the main drivers of our profession's sustainability. The curriculum is constantly evolving to integrate new trends and technologies while addressing the interests of employers and the marketplace.

To ensure we educate future accounting professionals to meet the needs of employers, society and the economy, and to maintain our position as a leader in business and accounting education, we are improving delivery methods, increasing quality control and streamlining the examination experience for our students.

Reporting from our data warehouse — an aggregation of various data sources from across the organization — continues to provide sharp insights and real-time information with improved reporting and grading capabilities for staff and our partners in CPA exam administration. The more we know about our students' performance, the more we can improve and enhance the educational program.

### Innovative opportunities to network, learn and grow

CPA Canada is proud to offer members and other business professionals a one-stop shop with access to the most relevant, timely and high-quality professional learning and development (PLD) opportunities. It is now easier than ever to take advantage of these opportunities with our enhanced customer service experience.

Our continuing education offerings range from online learning to 10 core in-person courses, as well as many conferences and special events that empower CPAs to optimize their potential as business and accounting leaders while meeting their annual continuing professional development requirements.

To enhance PLD at CPA Canada, we offer a wide range of courses, certificate programs, publications and conferences, as well as a robust online learning portfolio.

### Online learning

In fiscal 2018, we expanded our digital options to reach more members and prioritize flexible, on-the-go professional development. This includes more than 150 flexible online learning options, including online courses, virtual classrooms, on-demand webinars and podcast series.

### In-Depth Tax Course

We continued to refine the academic and technical rigour of the In-Depth Tax Course, a three-year program recognized as one of Canada's most comprehensive tax training programs, with a focus on important topics for tax specialists. The In-Depth program now includes a more substantial ethics component and enhanced technology that makes content more accessible and relevant to students. Fiscal 2018 saw 598 students graduate from the In-Depth Tax Course.

### Not-for-Profit Certificate Program

Launched this year to meet increasing demand from our members, this certificate focuses on equipping CPAs, senior leaders and board members in the not-for-profit sector with up-to-date technical, financial and operational skills.

### Public Sector Certificate Program

An in-depth training experience for CPAs who want to advance their career in government and learn more about specific issues such as public sector accounting, financial management, financial reporting, governance and decision-making.

### Certificate in Driving Organizational Profit and Performance

A program designed for business leaders who want to enhance their organization's bottom line, ensure strategic alignment and better manage and mitigate risk.

### Professional Engagement Guide (PEG)

The successor publication to the legacy Canadian Professional Engagement Manual (CPEM) and Public Practice Manual, PEG is a new consolidated form that was published in September 2017 to aid in early financial engagement planning for members.

### Professional conferences for CPAs

CPA Canada hosts and participates in many prominent conferences for business and accounting professionals throughout the year, often with specialty focus areas and streams that reflect the diverse professional pursuits of CPAs. Our core annual conferences include:

- The ONE National Conference
- Conference for the Oil and Gas Industry
- Commodity Tax Symposium
- Conference for Audit Committees
- Public Sector Conference
- Not-for-Profit Executive Forum

We partnered with other organizations to support the following events as well:

- National Forum on Technology Solutions
- AICPA Women's Global Leadership Summit
- AICPA ENGAGE Conference
- Canadian Conference on IT Audit, Governance and Security
- IFRS Conference: Americas

The value of digital is on the rise:



## The ONE National Conference 2017

Our annual national conference was a record-breaking success. The ONE is CPA Canada's premier professional development opportunity for CPAs, and this year's event was jointly presented with CPA Ontario in Ottawa in September 2017. It featured four different tracks for members to customize their experience with sessions on management accounting and finance, leadership, taxation, and financial reporting and accounting.

More than 1,500 people attended The ONE 2017, coming from every province and territory, as well as from across the United States and abroad.

The beautiful capital provided an ideal setting to ring in Canada's 150<sup>th</sup> birthday as a nation, aligning with our theme of "Sustainability Through Resilience." The conference fittingly kicked off with a special opening video greeting from Prime Minister Justin Trudeau, while two cabinet ministers spoke at The ONE: the Honourable Bill Morneau, Minister of Finance, and the Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development, who is a FCPA, FCMA.



## Evaluating NOCLAR in a Canadian context

Last year the Canadian profession began considering a new international ethics standard added to the International Ethics Standards Board for Accountants (IESBA) code of ethics for professional accountants (IESBA Code). This was created in response to the new non-compliance with laws and regulations (NOCLAR) standard. The new standard sets out a framework for professional accountants when handling known or suspected NOCLAR, including whether the incident should be disclosed to the appropriate authorities.

In Canada, the provincial rules of professional conduct must be as stringent as the IESBA Code unless there is a legal, regulatory or public interest reason to differ. The CPA profession's Public Trust Committee is currently evaluating NOCLAR changes to the IESBA Code in relation to the CPA profession's existing ethical standards and within the context of Canadian laws, regulations and the public interest.

In addition to evaluating the NOCLAR standard, we have worked to stimulate greater accountability among organizations and protect stakeholders from substantial harm by issuing an audit and assurance alert regarding Canadian Auditing Standard (CAS) 250, Consideration of Laws and Regulations in an Audit of Financial Statements, which has been updated to acknowledge NOCLAR. This alert covered key information for auditors, including revised expectations for audit procedure and the pertinent conforming amendments for CAS.



## Protecting the independence of standard setting



CPA Canada and the IFRS Foundation hosted the 2017 IFRS Conference: Americas. (Left): Hans Hoogervorst (Chair, IASB), Joy Thomas (President and CEO, CPA Canada), Linda Mezon (Chair, AcSB) and Stephenie Fox (Vice-President, Standards, CPA Canada). (Right): Hans Hoogervorst (Chair, IASB), Linda Mezon (Chair, AcSB) and Russel Golden (Chair, U.S. FASB) participated in a panel discussion at the event.

CPA Canada provides funding, staff and other resources to support independent standard-setting boards and their network of more than 250 volunteers.

We do this because high-quality accounting and auditing standards protect the health of our economy, capital markets and the financial reporting supply chain. They ensure equality, fairness and transparency, providing a common and essential measurement for Canadians to assess organizations and the credibility of their financial results.

Substantial work on reporting and assurance matters is being done by the Accounting Standards Board (AcSB), the Public Sector Accounting Board (PSAB) and the Auditing and Assurance Standards Board (AASB). We develop relevant guidance that supports

standards implementation, including ongoing activities to enhance GAAP and non-GAAP reporting and other regulatory reporting practices. Our voice supporting standards in Canada and in a global context remains strong.

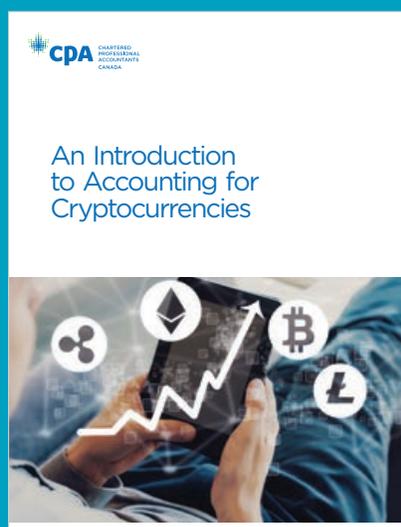
A prime example of this support in a global context was in our partnership with the IFRS® Foundation to host the 2017 IFRS Conference: Americas in Toronto. This gathering was particularly noteworthy because it brought together the chairs of the international, U.S. and Canadian accounting standards boards, with all three chairs engaging in a panel discussion.

## Maintaining audit quality and value

CPA Canada maintains confidence and supports economic stability by providing boards and organizational leaders with the right tools and insights to enhance audit quality and value. We continue to work with the Canadian Public Accountability Board, provincial and territorial CPA bodies, national accounting firms and other key organizations to provide thought leadership that advances best practices and ensures our members adopt those practices. Guidance and support produced this year includes:

- Two guides, one on the reporting implications of CSRE 2400, the new review engagement standard, and one on the new and revised auditor reporting standards to promote consistency in practitioner reports
- Audit data analytics (ADA) guidance on why CFOs and audit committees should consider the use of ADA in financial statements
- Members of CPA Canada's Audit Data Analytics Committee hosting a panel on the use of ADAs and the evolution of the audit with practitioners and academics at the 10<sup>th</sup> Biennial Symposium for the University of Waterloo's Centre for Information Integrity and Information Systems Assurance in October 2017
- An online survey and report, in collaboration with FEI Canada, for CPA members on management's role in the audit process and what managers can do to positively influence audit quality within their organizations
- A formal public submission in response to the Monitoring Group's consultation paper on proposals to strengthen governance and oversight of audit-related standard setting
- Specific guidance for audit committees, including:
  - Key Performance Indicators: A Tool for Audit Committees, which is designed to help members develop a comprehensive process for KPI oversight in an issuer's MD&A and earnings press release
  - A three-part video describing the roles and responsibilities of an external auditor
- Audit quality blog posts on:
  - Audit regulator CPAB's progress with the audit quality indicator (AQI) pilot project, which showcases the potential usefulness of AQIs and how to integrate them into regular processes
  - A stakeholder forum hosted in Vancouver about enhancing investor confidence in information beyond financial statements, working with the AASB to ensure the continued value of audits
  - The new U.S. auditor reporting standard, which contains significant differences from Canadian auditor reporting standards, and what the implications are for Canada – particularly with respect to key audit matter reporting
  - Whether or not KPIs should be subject to independent assurance in the same way financial statements are as a means of enhancing audit relevance for investors

# Transparency and the future of financial reporting



## Fostering trust and accountability

Trust in financial reporting is essential to the health and stability of our economy. CPA Canada supports increased transparency in financial reporting because it helps ensure that public confidence is high and our country's capital markets are efficient and competitive. We accomplish this by providing leadership and support to improve the quality of information provided to investors and working with like-minded organizations to effect change and develop more effective and efficient reporting for capital markets.

### International Integrated Reporting Council (IIRC):

CPA Canada has been a member of IIRC since 2015. IIRC promotes the worldwide implementation of a principles-based framework to enhance the usefulness of companies' business reporting on how they create value over time. Canadian capital markets already function within a mature regulatory reporting regime,

but we are committed to considering the concepts and principles of the IIRC integrated reporting framework and plan to align our reporting with these guidelines as appropriate in subsequent years.

### International Accounting Standards Board (IASB):

As a member organization of the IFRS Foundation, CPA Canada supports IFRS Standards set by the IASB. These provide guidance on complex accounting issues and recommendations for the application of new and existing standards, which are adopted by publicly accountable enterprises in Canada.

### Accounting Standards for Private Enterprises

**(ASPE):** We published significant guidance materials on standards created by ASPE, including an alert on annual improvements and two in-depth briefings that support the application of ASPE for investments and amalgamations of wholly owned subsidiaries.

## Honouring Canada's top achievers in corporate reporting

High-quality reporting not only inspires trust in business, it enhances corporate accountability and helps protect the public interest. That's why CPA Canada was pleased to recognize listed companies and Crown organizations that are raising the bar for corporate reporting in Canada.

The 2017 Awards of Excellence in Corporate Reporting were presented in December at a gala event in Toronto. This gathering honoured outstanding achievements across four judging categories: financial reporting, sustainability reporting, corporate governance disclosure and electronic disclosure.

This year, there were 27 winners and all entrants received a confidential assessment of how their work measured up against best practices, along with specific value-added recommendations to help them improve future reporting.

BMO Financial Group, Barrick Gold Corporation, Goldcorp and Teck received top honours with platinum awards.



(Top): Terry LeBlanc, Chair, CPA Canada Board of Directors, with the platinum award winners (Barrick Gold Corporation, Goldcorp, BMO Financial Group and Teck).

(Bottom): Terry LeBlanc, head judge Ron Salole, winners and other judges enthusiastically wrap up the Awards of Excellence in Corporate Reporting at the TSX Market Open Ceremony on December 7, 2017.

## CPA Canada Response to Canadian Securities Administrators (CSA)

Our official letter to the CSA was a significant undertaking that addressed CPA Canada's proposed considerations for reducing regulatory burden. During the consultation period, we advocated for a comprehensive review of existing reporting to ensure the system meets the evolving needs of investors, including demands for more integrated disclosure about how companies create value over the short, medium and long term.

We believe this is an opportune time to modernize corporate reporting and explore how regulatory requirements can adapt to account for new technologies. We also encouraged the CSA to eliminate duplicate disclosures, explore streamlined requirements for smaller issuers and improve the quality of reporting through targeted education and guidance.

## Investing in a bright, sustainable future that benefits business and society

### Canadian Chapter of the Accounting for Sustainability Project (A4S) CFO Leadership Network

We have joined forces with The Prince of Wales's Accounting for Sustainability Project (A4S) to bring the CFO Leadership Network to Canada. It was successfully launched in 2017 and is the first group of its kind to focus on the role CFOs play in integrating environmental and social issues into financial decision-making. This opportunity will allow us to share knowledge and insights, develop new sustainability-focused resources and reach new markets.

Fiscal 2018 saw the launch of three initial projects for the CFO Leadership Network:

- Managing the future today by developing a strategic response to the risks and opportunities posed by major social and environmental trends
- Offering practical advice and solutions to support social and human capital accounting
- Incentivizing action by working with finance teams to encourage stakeholders along the value chain to take action on sustainability



CPA Canada's Gord Beal, Vice-President, Research, Guidance and Support (back left) and Davinder Valeri, Director, Strategy Risk and Performance Management (right) attend an event hosted by the Canadian chapter of the A4S CFO Leadership Network.

The Canadian chapter provides a forum for CFOs and their teams across sectors to address common challenges regarding how to embed sustainability into decision-making for senior leaders – a key step in our journey to support the growth of sustainable business models and a more sustainable economy in Canada.

### Award-winning work in sustainability and thought leadership

CPA Canada won two prestigious awards presented by *The Accountant* and *International Accounting Bulletin*, publications based in the U.K. CPA Canada was named Sustainability Champion of the Year for its concerted effort to help organizations integrate environmental and social issues into strategic planning and financial decision-making.

As noted earlier, CPA Canada also won the Thought Leadership Initiative of the Year Award from the two publications for its financial literacy program. The awards were presented at the Digital Accountancy Forum and Awards held in October 2017 in London, England. President and CEO Joy Thomas and Senior Vice-President Tashia Batstone were on hand to accept the awards and represent CPA Canada.



CEO Joy Thomas accepts the Thought Leadership Initiative of the Year Award from *The Accountant* and *International Accounting Bulletin*.

# Thought leadership, professional development and best practices: climate change



From left: Dustyn Lanz, Chief Operating Officer, Head of Communications and Member Affairs, Responsible Investment Association; Sarah Keyes, Principal of Strategy, Risk and Performance, CPA Canada; Julie Ambachtsheer, Director of Programs, Responsible Investment Association; and Zoë Knight, Global Head of the Climate Change Centre of Excellence, Global Research, HSBC.

As the world changes, so does the profession's potential for economic and social impact. CPA Canada continues to be a leader in navigating the challenges and opportunities of climate change as a business issue.

## Support for the Financial Stability Board's approach to climate change disclosure

CPA Canada is a leader among global accounting bodies in support of climate change disclosure. We signed a voluntary statement of support for the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD's recommendations will catalyze more consistent, comparable and reliable disclosure of climate-related information to facilitate sustainable businesses and more informed investment decision-making.

## Global Best Practices in Investment Strategies for Climate Change

CPA Canada invited Canadian investors and the business community to learn about global best practices in climate change investment strategies – led by Zoë Knight, the Global Head at the Climate Change Centre of Excellence with HSBC. This engaging presentation was followed by a lively Q&A session about how to put the TCFD recommendations in a Canadian context.

## Climate Change Briefing: Questions for Directors to Ask

As a pressing issue that affects all companies, both public and private, climate change has wide-ranging implications for shareholder value, strategy, risk management and financial performance. This briefing explores those topics as relevant to the oversight responsibilities of directors, which can ultimately help management understand the board's and their own role in assessing and managing the risks and opportunities that climate change can bring.



CPA Canada moderated a panel session on sustainability and climate change at the FEI Canada National Conference.



Tashia Batstone, Senior Vice-President of External Relations and Business Development, CPA Canada, welcomes attendees during the Women's Networking Lunch at the GLOBE Forum.

### **The Time Value of Carbon: Smart Strategies to Accelerate Emission Reductions**

The investment decisions of today will affect the business and environment of tomorrow. This report examines how the right accounting practices can support efforts to curb greenhouse gas emissions, offering information, tools and decision-making recommendations to mitigate risk and improve long-term outlooks.

### **Survey and plenary session at the FEI Conference**

We collaborated with FEI on a short pulse survey among FEI members and stakeholders, who are mostly CPAs, to explore climate change as a business issue. The results were shared at the June 2017 conference and discussed in a moderated session on the implications of climate change for Canadian businesses. Both activities raised awareness and also changed perspectives: 62 per cent of attendees

considered climate change a top business issue by the end, versus 33 per cent beforehand. Increasing understanding is how we can move the needle on environmental, social and economic risk.

### **GLOBE Forum 2018: a leadership summit for sustainable businesses**

CPA Canada is a thought leader in climate change and sustainability. We enhanced our profile in this area at the GLOBE Forum, North America's largest sustainability conference, in March 2018. We secured a significant amount of exposure and engagement from participants by convening a panel session for CFOs on sustainability, sponsoring the popular annual women's networking lunch and providing several sets of opening remarks throughout the forum, including an introduction to an event for the Task Force on Climate-Related Financial Disclosures.

# Moving Forward

## Navigating change

In order to achieve our vision as the pre-eminent, globally respected business designation, we must continue to promote our designation, but also educate and inspire others to embrace the Canadian ideal of good business, which is at the heart of our profession.

The following two goals are central to our vision from now until 2020, and are our top drivers for strategic decision-making within the organization.

### Goal 1: Make a difference at CPA Canada

These priorities are the foundation for our success, reflecting the way we run the business, treat our people and optimize performance internally, as well as the work we are doing to achieve organizational excellence. We are committed to being a high-performing organization and an employer of choice. CPA Canada focuses on these areas using an organization-wide innovation plan to maintain organizational sustainability and remain a resilient and adaptive entity.



To reach our objectives, we will:

- Focus on executing the items laid out in the Excellence Journey implementation plan with key processes for each department, and we will be reviewing them with an eye to continuous improvement
- Invest in our people and create a constructive culture that encourages collaboration, innovation, high performance and shared success

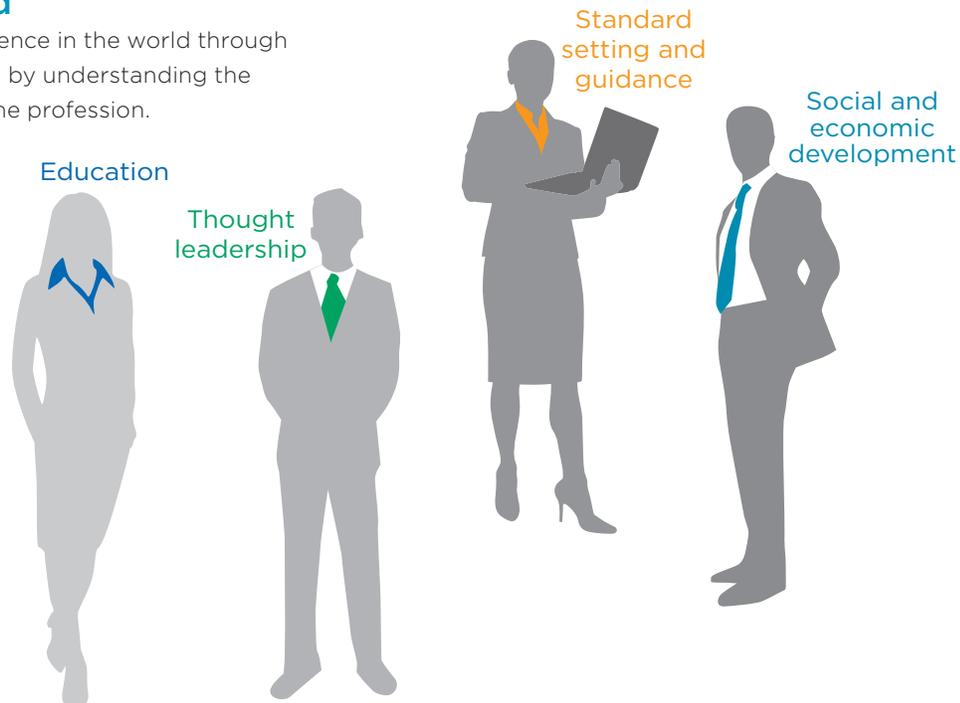
Focus on the five drivers of excellence (leadership, planning, customers, people and processes) to establish a more sustainable organization, both financially and for our people

- Improve internal processes to help us to be more nimble, access more accurate data, improve timeliness and communicate more effectively
- Improve the performance management and talent management systems to clarify roles, accountabilities and recognition
- Redesign our website to ensure that all of our digital assets are working effectively, including

enhanced collection of digital data about engagement so that we know what is relevant and how to best deliver value to our members and stakeholders

## Goal 2: Make a difference in the world

We make a difference in the world through our influence and by understanding the future needs of the profession.



We aim to establish CPA Canada as a “go-to” organization for key business and accounting areas. To do so, we must advocate for its value in business, government, academia and the public interest. We must also evaluate the trends shaping the future of business and accounting to ensure that our focus is on relevant priorities going forward.

To reach our objectives, we will:

- Prioritize the ways CPA Canada positively contributes to economic and social development at home and abroad
- Safeguard standard setting by the independent standards boards and oversight councils, enhancing engagement and international influence
- Continue to enhance professional development for our members by growing existing products and developing new programs and services in audit, financial reporting, management accounting, ethics, sustainability and tax so they can meet their fullest potential
- Identify the critical competencies that will be required for CPAs to be business leaders of the future and succeed in an increasingly digital world with the right education, pre- and post-certification
- Create thought leadership that supports the implementation of new and emerging standards, as well as thought leadership on key topics to ensure that the profession is responsive to drivers of change
- Raise our voice on policy and other issues that are important to the public interest by strengthening stakeholder relationships and continuing to advocate for a comprehensive review of Canada’s tax system and related initiatives
- Support financial wellness of Canadians through our highly successful financial literacy program
- Support Indigenous youth, and continue working with Canada’s Indigenous communities to build financial capacity and increase the number of Indigenous CPAs
- Help build capacity in professional accounting internationally and grow our profession in key areas such as Asia and the Caribbean
- Shape global accounting and business by directly supporting international boards and committees and related organizations, engaging members abroad and through targeted partnerships and alliances with international bodies

CPA Canada

# Foresight

**REIMAGINING THE PROFESSION.**

Change is constant, but never before has the world seen change and disruption occurring at the exponential rate we are experiencing today. The accounting profession is not immune to these changes, and over the next decade our profession will continue to experience rapid and continuous transformation.

New technologies such as blockchain and artificial intelligence are having a profound impact on Canadian CPAs, as well as shifting social attitudes towards inclusion, sustainability, and the blurring of boundaries between industries. How the profession responds to and manages these changes will impact the future of our members, the future of Canadian business and the future of the profession.

In fiscal 2019, CPA Canada is building on our work from the Drivers of Change report and commencing a multi-stakeholder project that will provide valuable insights for leaders to better understand and shape the future of the CPA profession. Specifically, this project will:

- Identify future directions for financial management; external reporting; audit and assurance; tax; governance, strategy and risk management; professionalism and ethics; and business sustainability
- Consider the implications of the global regulatory environment for the profession going forward, in light of evolving stakeholder expectations, new business models and the inclusion of many non-members in the accounting ecosystem

- Develop a greater understanding of the employment opportunities and skill sets necessary for accountants to continue to create value for employers and clients

To drive our research, we will convene a series of roundtables for CPAs working across the profession, along with regulators, investors and other business leaders. And to complement the roundtable process, CPA Canada will also use an advanced social media strategy to engage as many of our 210,000 members as possible in the dialogue.

We have an important story to tell — not just about where we've come from, but where we're going next as an organization and why it matters. There is a great deal of respect and admiration for the unique perspective that Canada brings to professional accounting, and we continually strive to enhance that reputation. Going forward, we will continue to look for ways to tell the CPA Canada story in these terms, and to continue our journey as an organization that is making a difference and shaping the future.

# Operating Environment

CPA Canada pursues opportunities, provides services and conducts activities that may expose it to a variety of risks. The ability to respond effectively and in a timely manner to expected and unanticipated change is critical to the organization's success.

## Risks to CPA Canada's strategy

### Managing risk

An important aspect of governance and management best practices is to ensure that organizational risks are identified, assessed and managed in a timely, efficient and effective manner.

### Risk management approach

CPA Canada's risk management policy integrates an enterprise risk management (ERM) framework that helps guide the organization in its risk management activities. The ERM framework:

- establishes the roles and responsibilities of the CPA Canada Board of Directors, Audit Committee and Management Committee;
- specifies the organization's tolerance for risk;
- outlines the process for identifying, assessing and categorizing the organization's risks;
- ensures a uniform approach to risk mitigation, management and reporting;
- incorporates numerous approaches for managing risk, including avoidance, mitigation, transferal, insurance and acceptance;

- encourages a risk-aware culture, with risk management integrated into CPA Canada's strategic and operational decision-making;
- outlines how key risks, opportunities and impacts are determined; and
- facilitates the understanding, discussion, evaluation and management of risks at all levels.

### Risk governance

Risk oversight of CPA Canada activities resides with the Board of Directors. The board oversees the organization's ERM and approves a risk management policy and an annual risk-tolerance profile designed to ensure a consistent understanding of risk exposure. The board is responsible for the annual approval of CPA Canada's multi-year strategic plan. It ensures that the strategic direction is sound, links strategies and the provision of services, and establishes the basis of the annual operational commitments and related budgets. CPA Canada's strategic planning process identifies and addresses key risks that affect the organization as a whole.

The board monitors compliance with the risk management policy and reviews the risk management policy and procedures annually.

The board delegates primary responsibility for risk management to the Audit Committee and is supported by the Management Committee. The board is kept informed of significant risks and mitigating strategies through ongoing reporting mechanisms.

The Audit Committee is responsible for reviewing the significant risks and uncertainties that may affect CPA Canada, and the adequacy of its risk management policy, procedures and controls. The committee recommends the risk management policy and annual risk tolerance profile to the board for approval.

The CPA Canada Management Committee is composed of the president and CEO, senior vice-presidents, and the vice-presidents of each core business group and support function. It provides leadership in the development and implementation of ERM.

The committee's responsibilities encompass:

- developing, implementing and maintaining an effective ERM framework for the organization;
- developing the risk management policy and risk tolerance profile of the organization;
- communicating the organization's risk management policy, risk tolerance profile, and ERM framework;
- identifying potential and emergent risks, assessing their likelihood and impact, and determining what risks are unacceptable and when risk mitigation and risk management strategies must be developed;
- determining the right level of risk for each strategic initiative using the risk tolerance profile;
- assigning responsibility to develop risk mitigation approaches and actions to appropriate staff and/or committees on an issue-specific basis;
- explicitly identifying risk mitigation resource requirements and allocation to reduce risks to an acceptable level; and
- identifying opportunities to manage the uncertainties of potential and emergent risks, and potential outcomes.

## Risk assessment

CPA Canada, under its risk management policy and risk tolerance profile, assesses its willingness to accept risks and seeks to reduce those risks to an acceptable level, otherwise referred to as its tolerance for risk.

Members of the Management Committee are accountable for effectively managing risks relative to their respective areas and collectively updating the ERM framework during the year.

CPA Canada attempts to proactively mitigate its exposure to risk through sound planning, effective management and the appropriate response strategies.

## Key risks

A key risk is one that, alone or in combination with interrelated risks, can have a significant adverse impact on the organization's reputation, its ability to achieve its priorities and objectives, or its financial stability, and has a probability of occurring.

Key risk	Risk mitigation strategies
<p>Loss of stakeholder confidence in the profession leading to an overall decline in the public's trust and diminishing our ability to effectively support and act in the public interest</p>	<p>CPA Canada supports a robust and independent standard-setting process that helps to ensure the financial and non-financial information in the private and public sectors is reliable, comparable, transparent and credible. This is critical to investor confidence, a sound financial system and the public interest. CPA Canada also enhances audit quality through initiatives that include collaborative efforts with regulators and those charged with governance.</p> <p>CPA Canada is leading efforts in the area of tax best practice. We regularly hold discussions with the federal government, the Canadian Bar Association and others in the process. As well, CPA Canada contributes to domestic and international work on tax evasion, fraud and corruption.</p> <p>Through its guidance publications, CPA Canada helps establish best practices that support healthy capital markets and contribute to accountability and transparency.</p> <p>CPA Canada is also a leading advocate for financial literacy for Canadians through its financial literacy program, publications, tools and resources.</p>
<p>Failure to identify, prioritize or adapt to meet the diverse, changing and sometimes competing needs of members and other stakeholders</p>	<p>CPA Canada consults regularly with stakeholders including members, students, provincial bodies, governments, academics, employers and others in domestic and international markets to monitor the changes in expectations, needs and priorities against which it benchmarks and measures its performance. Through its strategic planning process, CPA Canada ensures its key priorities and objectives align with the ongoing needs of its stakeholders. It also conducts periodic research for relevant products and services, and listens to feedback which when warranted, is incorporated into programs, products and service delivery.</p>

Key risk	Risk mitigation strategies
<p>Failure to comply with, or adapt to, relevant laws, regulations and policies</p>	<p>CPA Canada's Code of Conduct sets out the ethical behaviour expected of employees, volunteers and consultants and helps set the tone at the top for a culture of integrity. It is the responsibility of employees, volunteers and consultants to uphold the principles of respect, integrity, honesty and trust, and to speak up and report concerns about the violation of laws, regulations and CPA Canada policies. Training on workplace policies and processes, relevant laws and regulations is provided. CPA Canada's policies and processes also provide for the timely review and monitoring of potential or actual legal or regulatory issues to enable senior management and the board to effectively perform their management and oversight responsibilities. CPA Canada also maintains a broad range of insurance coverage, which is reviewed annually with the Audit Committee. While it is not possible to entirely eliminate legal and regulatory risk, CPA Canada works closely with its legal and other advisers to manage risk, seek advice on its legal obligations and manage litigation that involves or affects CPA Canada.</p>
<p>Failure to raise awareness and engagement with the CPA Canada brand</p>	<p>CPA Canada conducts regular research on the effectiveness of our brand strategy and tactics. We employ integrated digital, social and other ongoing communication strategies to enhance CPA Canada's effectiveness and credibility with all key stakeholders. CPA Canada's branding systems, supported by strong member communications and an integrated communications and marketing strategy, ensure CPA Canada is engaging members and raising awareness of its value and mandate.</p> <p>CPA Canada maintains relationships with national political and governmental bodies, and enhances its presence in Ottawa as a trusted adviser on business and accounting issues.</p> <p>CPA Canada also has an issues-management process and engages with the provinces to protect the reputation of the profession.</p>
<p>Inability to attract and retain a diverse and highly qualified staff</p>	<p>CPA Canada is focused on developing our people and leaders across the organization. We are partnering with Excellence Canada, a national not-for-profit organization dedicated to helping organizations implement, develop and sustain a commitment to excellence. We are working with their Excellence, Innovation and Wellness Standard (EIW) across core drivers: planning, leadership, process improvement, innovation, customers and wellness.</p> <p>Various policies and practices are also in place to address organizational design, employee recruitment programs, succession planning, compensation structures, ongoing training and professional development programs and performance management.</p>

Key risk	Risk mitigation strategies
<p>Failure of our certification education programs to be sustainable for all parties, to adequately and effectively capture all market segments, and to meet the needs of the Canadian marketplace</p>	<p>Certification education programs are a key priority to enhance member and stakeholder value. Regular market research, including surveys of members and employers, measures satisfaction and determines key touch points to drive recruitment. Alternative streams to certification have been developed to ensure the inclusiveness and attractiveness of the CPA over competitor programs. Stakeholder input and market research form the basis of CPA competencies and ensure that the CPA competency map and programming relevant for workforce and public practice are developed and assessed.</p> <p>The Advanced Certificate in Accounting and Finance (ACAF) responds to a critical market need and important market segment of individuals interested in pursuing a career in accounting and business who do not necessarily want a professional designation. Market research has been conducted to determine employer/market needs and market potential.</p>
<p>Failure of CPA Canada to be a driving force in the future of financial reporting and enhancing the value of audit and assurance.</p>	<p>CPA Canada maintains a strong expert staff and engaged volunteer base. We are also integrated into international initiatives through our process of placing high-calibre Canadians on international standard-setting bodies. We undertake extensive due process and consultation efforts. Canadian standards boards retain sovereignty over accounting and auditing standards and are not bound to follow international standards. We continue to ensure that the tools and other resources needed to ensure effective implementation of standards are available.</p> <p>Beyond standards, with increasing questions about the relevance and adequacy of traditional financial statements, CPA Canada provides leadership in the evolution of external reporting on a broad range of issues such as integrated reporting, sustainability reporting, the use of non-GAAP measures, data analytics, and the evolution of user expectations for reporting. We continue to engage Canada's auditors, audit committees, regulators and management in the discussion and ensure the dialogue includes participants from all types and sizes of entity and industry. We ensure that relevant and contemporary tools and other resources are available. The future of financial reporting and the relevancy of audit are two key areas CPA Canada is exploring as part of CPA Canada Foresight: Reimagining the Profession, which supports our efforts to be a driving force in the future of financial reporting and audit. We also intervene as required in legal cases where the public interest may be at risk.</p>
<p>Failure to collaborate and align effectively with the provincial CPA bodies</p>	<p>The CPA Canada Board of Directors maintains oversight of core elements of the profession as outlined in the <i>Collaboration Accord</i>. The Council of Chief Executives (CCE), comprised of the chief executive officers of the Canadian national and provincial accounting bodies, reports to the CPA Canada Board of Directors as a committee and works collectively on common elements of the Canadian accounting profession to ensure effective alignment.</p>

Key risk	Risk mitigation strategies
<p>Loss of effectiveness as a representative voice for the profession domestically and internationally</p>	<p>CPA Canada's support of standard setting is accomplished by contributing to the development of global standards, and we enhance member and stakeholder value by reflecting Canadian needs and views on issues related to the profession. We publish guidance and other support materials. Government relations focuses on maintaining relationships and enhancing our presence in Ottawa as a trusted adviser to the federal government for business and accounting issues. Strategic communications and issues-management processes are in place. We have an international strategy that raises awareness of the Canadian profession internationally and supports emerging professional accountancy organizations.</p>
<p>Failure to maintain organizational sustainability and compete effectively</p>	<p>CPA Canada reviews its objectives and deliverables to ensure they are in alignment with our strategic plan and finances. Our partnership and work with Excellence Canada is also key to CPA Canada's focus on planning, leadership, process improvement, innovation, customers and wellness.</p> <p>Financial results are reviewed quarterly with the Audit Committee. An extensive performance management system and metrics for reporting to the Board are in place. CPA Canada collaborates with strategic partners and actively manages and protects trademarks and other IP matters. CPA Canada works collaboratively on relationships with international accounting bodies. Environmental scans are performed regularly. The Management Committee reviews external environmental factors regularly.</p>
<p>Inability to acquire and integrate technology effectively and failure to adequately protect and secure CPA Canada's critical systems, infrastructure, and data essential to our business</p>	<p>Technology is regularly evaluated and the needs and priorities of the organization are continuously reviewed and monitored. IT Services works to build the right competencies in IT and implement best practices. Outside expertise is consulted when needed. A rigorous request for proposal, monitoring and approval process is employed for technology investments. Audits are performed on different areas of IT during the year.</p> <p>IT Services employs a number of programs, procedures and processes to effectively respond to emergencies and safeguard CPA Canada's technology, infrastructure and information from unauthorized intrusions and other threats.</p>

### Financial instrument risk management

CPA Canada is exposed to various risks through its financial instruments that have the potential to affect its operating and financial performance. The financial instrument risk exposures are credit risk, liquidity risk and market risk (comprised of currency, interest rate and other price risk).

CPA Canada manages these risks in accordance with its risk management policy. The objective of the policy is to reduce volatility in cash flow and earnings and to safeguard assets.

CPA Canada also has an investment policy that details the asset quality and proportion of the fixed income and equity securities in which it invests. CPA Canada does not use derivative financial instruments to manage its risks. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

### Credit risk

CPA Canada is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations that have similar economic characteristics that could be similarly affected by changes in economic conditions, such that CPA Canada could incur a financial loss. CPA Canada does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of CPA Canada to credit risk at March 31, 2018, is as follows (\$000s):

	2018	2017
Cash	\$ 14,500	\$ 4,471
Accounts receivable	6,810	7,607
Short-term investments	-	2,000
Investments – Guaranteed investment certificates	17,827	24,741
Investments – Canadian fixed income	13,915	12,861
Investments – Index pooled funds: Canadian fixed income	23,660	22,915
	<u>\$ 76,712</u>	<u>\$ 74,595</u>

Cash and investments: Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment-grade ratings by a primary rating agency; and/or other credit-worthy parties. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the investment policy of CPA Canada.

Accounts receivable: Credit risk associated with accounts receivable is minimized by CPA Canada's large and diverse customer base, which includes substantially all business sectors in Canada and provincial, territorial and Bermudian CPA organizations. CPA Canada follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary.

The concentration of credit risk with respect to accounts receivable is limited due to the credit quality of the parties that are extended credit. At March 31, 2018, accounts receivable from the two largest accounts comprised 64% of the total accounts receivable in current assets (2017 – 53%).

Concentrations of credit risk with respect to guaranteed investment certificates are mitigated by the credit quality of the major financial institutions issuing the investment. At March 31, 2018, the largest holding in guaranteed investment certificates with the same financial institution comprised 47% of total guaranteed investment certificate holdings (2017 – 34%).

Concentrations of credit risk with respect to Canadian fixed income investments are mitigated by ensuring that these assets are invested in financial obligations of governments, major financial institutions and other credit-worthy parties. At March 31, 2018, the largest holding in Canadian fixed income investments with the same entity comprised 26% of total Canadian fixed income investment holdings (2017 – 24%).

### Liquidity risk

Liquidity risk is the risk that CPA Canada will not be able to meet a demand for cash or fund its obligations as they come due.

CPA Canada meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, and holding assets that can be readily converted into cash. CPA Canada has available a short-term unsecured bank facility of up to \$0.95 million, bearing interest at prime, to meet temporary fluctuations in cash requirements. At March 31, 2018 and 2017, the bank facility had not been drawn upon.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

### Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of CPA Canada is the Canadian dollar. CPA Canada occasionally transacts in foreign currencies when certain revenues and expenses are denominated in those currencies, or to source certain purchases, services and capital asset acquisitions internationally.

CPA Canada invests a portion of its investment portfolio in an index pooled fund that invests in foreign equities. CPA Canada mitigates its currency risk exposure by investing in an index pooled fund that is composed of investment securities denominated in multiple currencies.

### Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

CPA Canada manages the interest rate risk exposure of its investments in guaranteed investment certificates and fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

CPA Canada invests a portion of its investment portfolio in an index pooled fund that invests in Canadian fixed income investments. CPA Canada mitigates its interest rate exposure by investing in an index pooled fund that is composed of investments with varying terms to maturity.

### Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The investment policy of CPA Canada restricts investments in index pooled funds to selected market indices. The investment policy for index pooled funds provides for an asset mix of 55% (+/-5%) fixed income investments and 45% (+/-10%) equities, and the funds are rebalanced to the asset mix on a quarterly basis.

Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

### Financial risks associated with defined benefit plans for employees

The primary long-term risk to CPA Canada of the post-retirement benefit plans is that the plan assets and future operational cash flows of CPA Canada will be insufficient to satisfy plan obligations.

A summary of the funded status of the plans is as follows (\$000s):

	2018	2017
Funded plan:		
Plan assets at fair value	\$ 58,809	\$ 58,110
Defined benefit obligations	(63,599)	(63,324)
	<u>(4,790)</u>	<u>(5,214)</u>
Unfunded plans:		
Defined benefit obligations		
- pension plan	(8,969)	(9,101)
- other post-retirement benefits	(16,402)	(15,608)
	<u>(25,371)</u>	<u>(24,709)</u>
Post-retirement benefits liability recognized in the statement of financial position	<u>\$ (30,161)</u>	<u>\$ (29,923)</u>

The liabilities of the plans expose CPA Canada to various forms of risk, including liquidity risk and the risk associated with changes in actuarial assumptions, primarily interest rate risk with reference to the discount rate used to measure the defined benefit obligations of the plans.

The assets of the funded plan expose CPA Canada to various forms of risk, including credit, liquidity and market risk, which is comprised of interest rate, currency and other price risk. The assets of the plan comprise investments in index pooled funds with an asset mix of 40% (+/-3%) fixed income investments and 60% (+/-3%) equities, and are rebalanced on a quarterly basis.

CPA Canada mitigates the risks relating to the plan assets in the same way it mitigates risks relating to its financial instruments. In addition, there is a natural offset for the interest rate risk on the liability of its funded plan since the value of its investments in index pooled funds is also affected by changes in interest rates.

### Changes in risk

There have been no significant changes in the risk profile of the financial instruments and defined benefit plans of CPA Canada from that of the prior year.

## Capability to deliver results

### Capital resources and liquidity

CPA Canada's cash position was \$14.5 million at March 31, 2018, an increase of \$10.0 million from the \$4.5 million cash position at the prior year-end. Cash at year-end is held on deposit with major Canadian financial institutions in interest-bearing accounts.

Operating activities provided \$9.1 million in cash for fiscal 2017-2018 in comparison to \$12.1 million in the prior year.

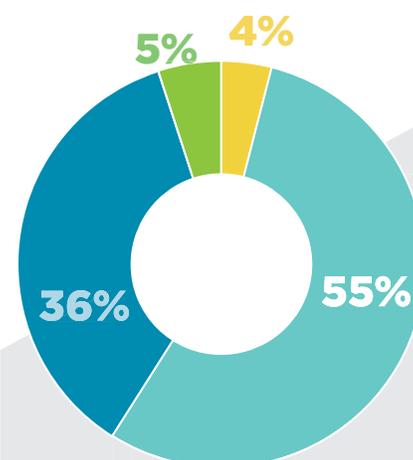
Investing activities generated \$7.3 million in cash, primarily from the net proceeds on the sale of investments and the receipt of lease incentives.

Financing activities used \$6.4 million in cash to discharge the mortgage on CPA Canada's office in Burnaby, BC.

CPA Canada's investments in the amount of \$74.9 million are comprised of guaranteed investment certificates, Canadian fixed income investments and index pooled funds. The guaranteed investment certificates have effective interest rates ranging from 1.40% to 2.00% with maturity dates ranging from April 2020 to June 2022. The Canadian fixed income investments have effective interest rates ranging from 1.64% to 2.46% with maturity dates ranging from January 2022 to June 2025. The Canadian fixed income investments in the index pooled funds have effective interest rates ranging from 1.59% to 7.5% with maturity dates ranging from April 2019 to November 2065.

Investment in capital assets is guided by the capital asset plan prepared by management each year and approved by the Board of Directors. CPA Canada's total capital investment in fiscal 2017-2018 was \$2.4 million compared to \$1.0 million in the prior year. Renovations for new office space in Montreal and Ottawa required capital spending to increase significantly over the prior year for leasehold improvements and the purchase of new furniture. Deferred lease incentives helped to mitigate capital spending in this area.

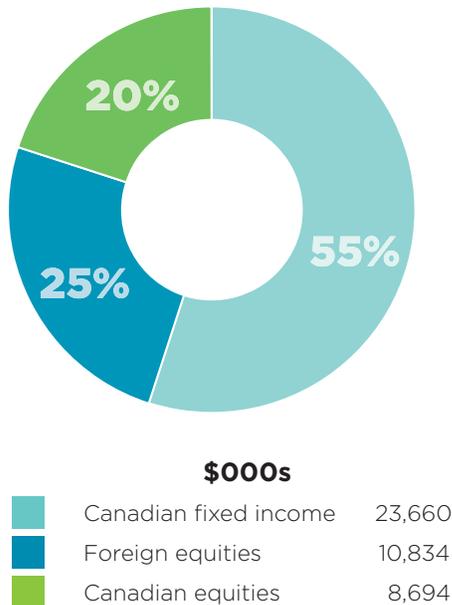
### Fixed Income Investments at Amortized Cost



\$'000s

Matures in fiscal 2021	1,204
Matures in fiscal 2022	17,560
Matures in fiscal 2023	11,544
Matures after fiscal 2023	1,434

## Index Pooled Funds at Fair Value



### Net assets

Net assets at March 31, 2018, amounted to \$45.2 million and consisted of \$13.1 million invested in capital assets (net book value of capital assets less the unamortized balance of deferred tenant inducements used to purchase capital assets), and \$32.1 million of unrestricted net assets. The slight decrease in net assets of \$0.1 million during the year resulted from the excess of revenues over expenses of \$0.3 million, less \$0.4 million in post-retirement defined benefit costs from remeasurements and other items. However, the proportion of unrestricted net assets to total net assets was more significantly impacted during the year due to the anticipated discharge of the \$6.4 million mortgage on the CPA Canada office in Burnaby, BC. The mortgage repayment reduced CPA Canada's debt and cash but also had the effect of reducing unrestricted net assets and raising the amount invested in capital assets by the repayment amount.

The unrestricted net assets of CPA Canada are required to provide sufficient financial capital to meet any material unexpected financial risks and to capitalize on significant new opportunities when presented. The unrestricted net assets are also available to help maintain reasonable stability in annual member fees.

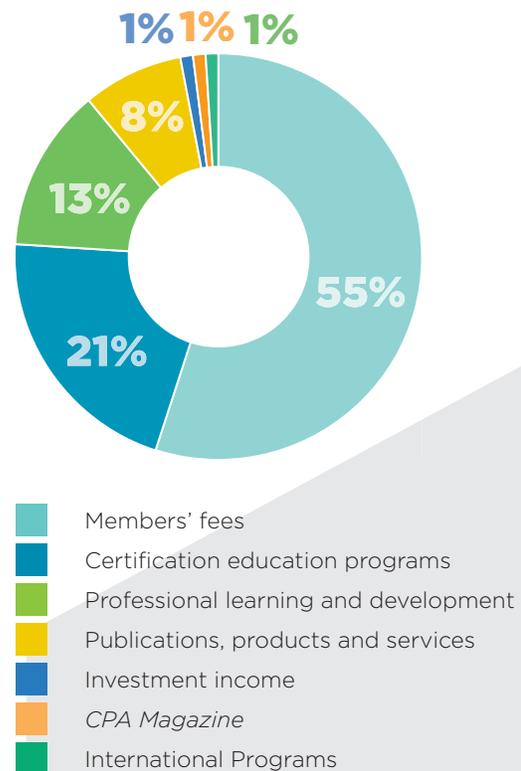
On behalf of the Board of Directors, the Audit Committee annually reviews the level of unrestricted net assets to assess its appropriateness. The Audit Committee takes into account the potential negative financial impact from CPA Canada's exposure to operational and financial risks as well as the likelihood of important new opportunities arising and being undertaken. Based on the overall assessment and the need to address potential negative financial impact, the Audit Committee believes CPA Canada should currently retain a minimum surplus amount between \$29.9 million and \$51.3 million and a target surplus amount of \$37.5 million. The unrestricted net assets of \$32.1 million are within the required range but below the current target amount. As part of our multi-year strategic business planning, the probability that unrestricted net assets might fall below the target amount was considered. To help address this potential outcome and to assist in building up our unrestricted net assets, CPA Canada's Board of Directors approved a \$20 fee increase per member in fiscal 2016-2017 to take effect in fiscal 2018-2019. In addition, CPA Canada is contemplating other measures that will help improve its unrestricted net asset position.

# Financial Performance

In fiscal 2017-2018, CPA Canada operations resulted in a \$0.3 million excess of revenues over expenses compared to the prior year, where the excess of revenues over expenses was \$8.9 million. The fiscal 2016-2017 surplus was largely driven by a one-time recovery of costs previously recognized in fiscal 2015-2016, and related to the development of the pre-certification program. This is not the case in fiscal 2017-2018, where total revenue growth was relatively flat year over year and total expenses were 8% higher than they were in the prior year.

Total revenues of \$119.5 million from all sources increased by \$0.6 million over the prior year. Total members' fees increased year over year by \$0.6 million, primarily reflecting a slowdown in overall net membership growth. Revenue from pre-certification education programs increased significantly compared to the prior year, from \$22.1 million to \$24.5 million. This was largely due to increased enrollment in fiscal 2017-2018. This represents the second straight year of significant growth and continues to be a strong indicator of the mounting recognition and attractiveness of the CPA pre-certification education programs among prospective candidates and the marketplace. Professional learning and development revenues also grew year over year, in part from higher registration for tax-related events and The ONE conference held in Ottawa in 2017.

## 2018 Sources of Revenue



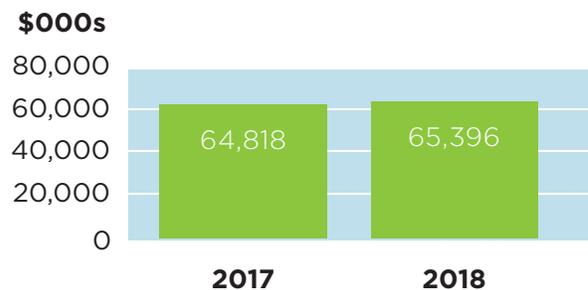
In comparison, revenue from publications, products and services contracted by \$0.8 million compared to the prior year. This contraction primarily reflects a shift in demand away from our tax, professional engagement, and other technical publications. Investment income of \$1.7 million was \$2.2 million lower in fiscal 2017-2018, primarily from the recognition of a significant unrealized depreciation in the fair value of index pooled funds. In fiscal 2017-2018, total *CPA Magazine* revenue decreased \$0.5 million compared to the prior year, reflecting continued weakness in the print advertising market.

Total expenses were \$119.2 million in fiscal 2017-2018, higher by \$9.2 million from the prior year. This reflects a \$5.2 million increase in expenses for the pre-certification education programs and \$4.0 million in higher expenses from all other activities combined. The significant increase in expenses for the pre-certification education programs is primarily due to the one-time recovery of \$3.2 million in development costs in the previous year. Other year over year changes were primarily driven by a number of key initiatives including the launch of our Excellence Canada program, the continued implementation of our digital marketing and communications strategy, the introduction of a balanced scorecard and performance measures, and related organizational design changes.

### Total Revenue



### Members' Fees

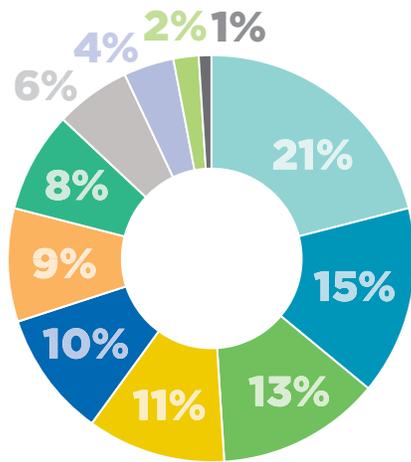


As we mark our fifth anniversary, CPA Canada's financial performance in fiscal 2017-2018 continues to reflect the ongoing efforts of our employees and volunteers, who help make a difference at CPA Canada and in the world. Many of the initiatives and accomplishments achieved over the course of fiscal 2017-2018 will pay dividends in the future and help CPA Canada continue to build a sustainable and valued organization that reflects the Canadian ideal of good business.

**Total Expenses**



**2018 Sources of Expenses**



- Certification education programs
- Finance and administration
- Professional learning and development
- Governance and international relations
- Standards
- Marketing, communications and public affairs
- Publications, products and services
- Research, guidance and support
- CPA Magazine
- International programs
- Corporate citizenship



# Financial Statements

CPA Canada

## Management Responsibility for Financial Reporting

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of Chartered Professional Accountants of Canada (CPA Canada). The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of CPA Canada, which includes adherence by all employees to CPA Canada's Code of Conduct. Management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgments.

The Audit Committee reviews the annual financial statements and recommends them to the Board of Directors for its approval. In addition, the Audit Committee meets periodically with management and the external auditors, and reports to the Board of Directors thereon. The Audit Committee also reviews the annual report in its entirety.

The accompanying financial statements have been audited by the auditors who are engaged by the Board of Directors on the recommendation of the Audit Committee and whose appointment was ratified at the annual meeting of members. The auditors have access to the Audit Committee, without management present, to discuss the results of their work.



**Joy Thomas, FCPA, FCMA**

President and Chief Executive Officer

## Independent Auditor's Report

To the Members of  
Chartered Professional Accountants of Canada

We have audited the accompanying financial statements of Chartered Professional Accountants of Canada, which comprise the statement of financial position as at March 31, 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 Chartered Professional Accountants of Canada as at March 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.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
June 20, 2018

## Statement of Financial Position

as at March 31

	2018 (\$000s)	2017 (\$000s)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$14,500	\$4,471
Accounts receivable [Notes 12 & 13]	6,810	7,607
Short-term investments [Note 3]	—	2,000
Inventories [Note 5]	356	465
Prepaid royalties and other assets	3,058	2,969
	<b>24,724</b>	<b>17,512</b>
<b>Account Receivable [Notes 12]</b>	<b>—</b>	<b>896</b>
<b>Investments [Note 4]</b>	<b>74,930</b>	<b>79,244</b>
<b>Capital Assets [Note 6]</b>		
Tangible assets	15,482	15,387
Intangible assets	75	277
	<b>15,557</b>	<b>15,664</b>
	<b>90,487</b>	<b>95,804</b>
	<b>\$115,211</b>	<b>\$113,316</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities [Note 7 & 12]	\$19,795	\$14,691
Deferred revenue	17,609	15,256
Mortgage payable [Note 8]	—	6,379
	<b>37,404</b>	<b>36,326</b>
<b>Post-retirement Benefits [Note 9]</b>	<b>30,161</b>	<b>29,923</b>
<b>Deferred Lease Incentives [Note 10]</b>	<b>2,490</b>	<b>1,759</b>
	<b>32,651</b>	<b>31,682</b>
	<b>70,055</b>	<b>68,008</b>
<b>NET ASSETS</b>		
Invested in capital assets	13,067	7,636
Unrestricted	32,089	37,672
	<b>45,156</b>	<b>45,308</b>
	<b>\$115,211</b>	<b>\$113,316</b>

The accompanying notes are an integral part of these financial statements

On behalf of the Board,



Terry LeBlanc, FCPA, FCGA  
Director



Gregory Gallant, FCPA, FCA  
Director

## Statement of Operations

for the year ended March 31

	2018 (\$000s)	2017 (\$000s)
		[Note 14]
<b>REVENUES</b>		
Members' fees	\$65,396	\$64,818
Certification education programs	24,519	22,143
Professional learning and development	15,897	14,753
Publications, products and services	9,996	10,844
Investment income [Note 11]	1,735	3,950
<i>CPA Magazine</i>	1,265	1,744
International programs	663	648
	<b>119,471</b>	<b>118,900</b>
<b>EXPENSES</b>		
Certification education programs [Note 12]	25,240	20,075
Finance and administration	17,728	16,150
Professional learning and development	15,270	15,241
Governance and international relations	13,464	12,123
Standards	12,136	11,096
Marketing, communications and public affairs	10,064	9,257
Publications, products and services [Note 5]	9,258	10,404
Research, guidance and support	7,184	7,445
<i>CPA Magazine</i>	5,172	4,479
International programs	2,373	2,274
Corporate citizenship	1,311	1,479
	<b>119,200</b>	<b>110,023</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$271</b>	<b>\$8,877</b>

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Net Assets

for the year ended March 31

	Invested in			Invested in		2017 (\$000s)
	Capital Assets	Unrestricted	2018 (\$000s)	Capital Assets	Unrestricted	
Balance, beginning of year	\$7,636	\$37,672	\$45,308	\$8,873	\$25,763	\$34,636
Excess of revenues over expenses (expenses over revenues)	(2,268)	2,539	271	(2,618)	11,495	8,877
Repayment of mortgage	6,379	(6,379)	—	397	(397)	—
Purchase of tangible assets, net of tenant inducements	1,318	(1,318)	—	911	(911)	—
Purchase of intangible assets	2	(2)	—	73	(73)	—
Defined benefit cost – remeasurements and other items	—	(423)	(423)	—	1,795	1,795
Balance, end of year	\$13,067	\$32,089	\$45,156	\$7,636	\$37,672	\$45,308

The accompanying notes are an integral part of these financial statements

## Statement of Cash Flows

for the year ended March 31

	2018 (\$000s)	2017 (\$000s)
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$271	\$8,877
Adjustments to determine net cash provided by (used in) operating activities:		
Amortization of tangible assets	2,206	2,317
Amortization of intangible assets	204	454
Loss on disposal of tangible assets	77	56
Interest capitalized on investments	(488)	(532)
Interest received on investments capitalized in prior years	443	256
Reinvested distributions from index pooled funds	(3,272)	(2,069)
Realized (gain) loss on sale of investments	371	(133)
Unrealized (appreciation) depreciation in fair value of index pooled funds	1,830	(1,106)
Required post-retirement benefits funding	(1,515)	(1,734)
Post-retirement benefits expense	1,330	2,353
Amortization of deferred lease incentives	(329)	(265)
	<b>1,128</b>	<b>8,474</b>
Change in non-cash working capital items		
Accounts receivable	503	2,472
Inventories	109	86
Prepaid royalties and other assets	(89)	(111)
Accounts payable and accrued liabilities	5,104	(669)
Deferred revenue	2,353	1,894
	<b>9,108</b>	<b>12,146</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of short-term investments	—	(2,000)
Purchase of investments	(24,520)	(40,685)
Proceeds on sale of short-term investments	2,000	1,000
Proceeds on sale of investments	29,950	28,895
Purchase of tangible assets	(2,378)	(911)
Purchase of intangible assets	(2)	(73)
Proceeds on disposal of tangible assets	—	4
Receipt of lease incentives – tenant inducement	2,250	—
	<b>7,300</b>	<b>(13,770)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of mortgage	(6,379)	(397)
Net change in cash	<b>10,029</b>	<b>(2,021)</b>
Cash, beginning of year	<b>4,471</b>	<b>6,492</b>
Cash, end of year	<b>\$14,500</b>	<b>\$4,471</b>

The accompanying notes are an integral part of these financial statements

## Notes to the Financial Statements

for the year ended March 31, 2018

(all amounts in \$ thousands)

### Nature and description of the organization

Chartered Professional Accountants of Canada (CPA Canada) was incorporated as a not-for-profit corporation under the Canada Not-for-profit Corporations Act on January 1, 2013. CPA Canada is exempt from income taxes.

CPA Canada assists CPA regulatory bodies in promoting and developing appropriate and uniform standards of qualification for admission of Chartered Professional Accountants and maintaining appropriate standards of professional conduct for all Chartered Professional Accountants. CPA Canada conducts research into current business issues, issues guidance, publishes professional literature, develops certification education and professional learning programs, and represents the CPA profession nationally and internationally.

CPA Canada provides funding, staff, and other resources to support an independent standard-setting process. The Accounting Standards Oversight Council (AcSOC) and the Auditing and Assurance Standards Oversight Council (AASOC) are independent, volunteer bodies which have been established to serve the public interest by overseeing standards-setting activities in Canada.

AcSOC oversees the activities of Canada's independent bodies, being the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB), which establish accounting standards for use by Canadian entities.

AASOC oversees the activities of the Auditing and Assurance Standards Board (AASB), Canada's independent body, which establishes standards for assurance and related services in Canada.

### 1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### a) Revenue recognition

##### (i) Members' fees

Members' fees are recognized as revenue proportionately over the fiscal year to which they relate. Members' fees received in advance of the membership year to which they relate are recorded as deferred revenue.

##### (ii) Certification education programs

Revenue is recognized upon a candidate's enrolment in a certification education program module. Examination fees are recognized as revenue when the examinations are held. The amount received in advance of candidate enrolment or an examination being held is recorded as deferred revenue.

##### (iii) Professional learning and development

Revenue is recognized when professional learning and development programs are presented. The amount received in advance of the program being presented is recorded as deferred revenue.

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

**1. Significant accounting policies** *(continued)*

**a) Revenue recognition** *(continued)*

(iv) **Publications, products and services**

Revenue is recognized at the time of shipment, when the service is rendered, or proportionately over the period of the subscription depending on the nature of the product or service. The amount received in advance of shipment, the service being rendered or the subscription period is recorded as deferred revenue.

(v) **Investment income**

Investment income comprises interest from cash, short-term investments and investments, distributions from index pooled funds, realized gains and losses on the sale of investments, and the unrealized appreciation and depreciation in the fair value of index pooled funds. Revenue is recognized on an accrual basis. Interest earned from investments is recognized over the terms of the respective investments using the effective interest method.

(vi) **CPA Magazine**

Magazine subscriptions are recognized as revenue over the period of the subscriptions. Advertising revenue is recognized in the period in which the advertisement is published. The amount received in advance of the subscription period or the advertisement being published is recorded as deferred revenue.

(vii) **International programs**

Student registration fees are recognized as revenue proportionately over the fiscal year to which they relate. Sales revenue is recognized at the time of shipment. Program revenue is recognized when professional learning and development programs are presented. Examination fees are recognized as revenue when the examinations are held. The amount received in advance of shipment, the program being presented, the examination being held, or the year to which student registration is related, is recorded as deferred revenue.

**b) Short-term investments**

Short-term investments consist of guaranteed investment certificates with maturity dates ranging from 91 days to twelve months from date of acquisition.

**c) Investments**

Investments consist of guaranteed investment certificates and fixed income investments with maturity dates of greater than twelve months from date of acquisition, and index pooled funds. Guaranteed investment certificates and fixed income investments maturing within twelve months from the year-end date are classified as current.

**d) Donated services**

The work of CPA Canada is dependent on the voluntary service of many individuals who are experts and industry leaders of specialized subject matters. Since these services are not normally purchased by CPA Canada and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

**1. Significant accounting policies** *(continued)*

**e) Prepaid expenses**

Prepaid expenses primarily comprise advance payments made to vendors in the current fiscal year for goods and services to be received in the next fiscal year. Prepaid expenses are recognized as expenses in the period when the goods and services are received.

**f) Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined on a first-in, first-out basis.

**g) Financial instruments**

**(i) Measurement of financial assets and liabilities**

CPA Canada initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

CPA Canada subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments in index pooled funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the year in which the changes occur.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with index pooled funds are expensed as incurred.

Financial assets measured at amortized cost include accounts receivable and investments in guaranteed investment certificates and fixed income investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments in index pooled funds that are quoted in an active market.

The fair values of investments in index pooled funds are determined by reference to the latest closing transactional net asset value of each respective index pooled fund.

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***1. Significant accounting policies** *(continued)***g) Financial instruments** *(continued)***(ii) Impairment**

At the end of each reporting period, CPA Canada assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of CPA Canada, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; and bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, CPA Canada determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

When CPA Canada identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the financial asset to the greater of the following:

- i) the present value of the cash flows expected to be generated by holding the financial asset discounted using a current market rate of interest appropriate to the financial asset; and
- ii) the amount that could be realized by selling the financial asset at the statement of financial position date.

Any impairment of the financial asset is recognized in income in the year in which the impairment occurs.

When the extent of impairment of a previously written-down financial asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, but not in excess of the impairment loss. The amount of the reversal is recognized in income in the year in which the reversal occurs.

**h) Capital assets**

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, with the exception of expenditures on internally generated intangible assets during the development phase, which are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital asset is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

**1. Significant accounting policies** *(continued)*

**h) Capital assets** *(continued)*

(i) **Tangible assets**

Tangible assets, consisting of land, building, building improvements, furniture and equipment and leasehold improvements, are measured at cost less accumulated amortization, if applicable, and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, on a straight-line basis at rates designed to amortize the cost of the tangible assets over their estimated useful lives as follows:

Building	25 years
Building improvements	10 years
Furniture and equipment	3 to 10 years
Leasehold improvements	Remaining terms of the relevant leases

(ii) **Intangible assets**

Intangible assets, consisting of separately acquired computer application software, are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided for, upon the commencement of the utilization of the assets, on a straight-line basis at rates designed to amortize the cost of the intangible assets over their estimated useful lives of three to five years.

**i) Post-retirement benefits**

**Defined benefit plans**

- (i) A defined benefit liability is recognized in the statement of financial position to the extent that the defined benefit obligations of a plan exceed the fair value of the plan's assets.

Components of the total cost of a defined benefit plan, excluding remeasurements and other items, are recognized in income in the year incurred.

Remeasurements and other items incurred during the year are recognized directly in the statement of changes in net assets.

- (ii) Defined benefit obligations are actuarially determined using the projected benefit method prorated on services and management's best estimates of retirement age, mortality, discount rates to reflect the time value of money, future salary and benefit levels and other actuarial assumptions.

- (iii) Defined benefit obligations are measured using actuarial valuation reports prepared for accounting purposes on an annual basis under which actuarial assumptions, including the discount rate, are updated annually.

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***1. Significant accounting policies** *(continued)***i) Post-retirement benefits** *(continued)*Defined benefit plans *(continued)*

(iv) Plan assets are measured at fair value.

(v) Plan assets and defined benefit obligations are measured at March 31.

(vi) The components of the total cost of a defined benefit plan for a year are comprised of:

- current service cost;
- finance cost; and
- remeasurements and other items.

Current service cost for the year is the actuarial present value of benefits attributed to employees' services rendered during the year, reduced to reflect employee contributions.

Finance cost for the year is the net interest on the defined benefit liability calculated by multiplying the defined benefit liability at the beginning of the year by the discount rate used in determining the defined benefit obligation at the beginning of the year. Finance cost for a defined benefit asset is a credit.

Remeasurements and other items are comprised of:

- the difference between the actual return on plan assets and the return calculated using the discount rate used in determining the defined benefit obligation at the beginning of the year;
- actuarial gains and losses;
- the effect of any valuation allowance in the case of a net defined benefit asset;
- past service costs; and
- gains and losses arising from settlements and curtailments.

Actuarial gains and losses can arise in a given year from:

- the difference between the actual defined benefit obligations at the end of the year and the expected defined benefit obligations at the end of the year; and
- changes in actuarial assumptions.

**Defined contribution plans**

(i) Components of the total cost of a defined contribution plan are recognized in income in the year incurred.

(ii) The components of the total cost of a defined contribution plan for a year are comprised of:

- current service cost;
- past service costs;
- interest cost on the estimated present value of any contributions required in future years related to employee services rendered during the current year or prior years; and
- a reduction for the interest income for the year on any unallocated plan surplus.

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

**1. Significant accounting policies** *(continued)*

**i) Post-retirement benefits** *(continued)*

Defined contribution plans *(continued)*

Current service cost for the year is comprised of the contributions required to be made in the year in exchange for employee services rendered during the year and the estimated present value of any contributions required to be made in future years related to employee services rendered during the year.

**j) Deferred lease incentives**

Lease incentives received include reduced rent benefits and tenant inducements received in cash.

Lease incentives received in connection with original leases are amortized to income on a straight-line basis over the terms of the original leases. Lease incentives received in connection with re-negotiated leases are amortized to income on a straight-line basis over the period from the expiration date of the original lease to the expiration date of the re-negotiated lease.

**k) Net assets invested in capital assets**

Net assets invested in capital assets comprises the net book value of capital assets less debt and the unamortized balance of deferred tenant inducements used to purchase capital assets.

**l) Management estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current year. Actual results may differ from the estimates, the impact of which would be recorded in future years.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Management considers the discount rates used to measure defined benefit obligations to be significant estimates.

## **2. Financial instrument risk management**

CPA Canada is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposure and concentrations.

The financial instruments of CPA Canada and the nature of the risks to which these instruments may be subject, are as follows:

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***2. Financial instrument risk management** *(continued)*

Financial instruments	Risks				
	Credit	Liquidity	Market risk		
			Currency	Interest rate	Other price
Cash	X			X	
Accounts receivable	X				
Investments — guaranteed investment certificates	X			X	
Investments — Canadian fixed income	X			X	
Investments — index pooled funds:					
Canadian fixed income	X			X	X
Investments — index pooled funds:					
Canadian and foreign equities			X		X
Accounts payable and accrued liabilities		X			

CPA Canada manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its risk management policy. The objective of the policy is to reduce volatility in cash flow and earnings and to safeguard assets. The Board of Directors monitors compliance with risk management policies and reviews risk management policies and procedures on an annual basis.

CPA Canada has an Investment Policy that details the asset quality and proportion of the fixed income and equity securities in which it invests.

CPA Canada does not use derivative financial instruments to manage its risks.

**Credit risk**

CPA Canada is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that CPA Canada could incur a financial loss. CPA Canada does not hold directly any collateral as security for financial obligations of counterparties.

The maximum exposure of CPA Canada to credit risk at March 31 is as follows:

	2018	2017
Cash	\$14,500	\$4,471
Accounts receivable	6,810	7,607
Short-term investments	—	2,000
Investments – guaranteed investment certificates	17,827	24,741
Investments – Canadian fixed income	13,915	12,861
Investments – index pooled funds: Canadian fixed income	23,660	22,915
	<b>\$76,712</b>	<b>\$74,595</b>

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***2. Financial instrument risk management** *(continued)***Credit risk** *(continued)*

Cash and investments: Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment-grade ratings by a primary rating agency; and/or other credit-worthy parties. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the investment policy of CPA Canada.

Accounts receivable: Credit risk associated with accounts receivable is minimized by CPA Canada's large and diverse customer base, which includes substantially all business sectors in Canada and provincial and territorial CPA organizations. CPA Canada follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. At March 31, 2018, an allowance for doubtful accounts in the amount of \$73 has been provided for (2017 - \$50).

The concentration of credit risk with respect to accounts receivable is limited due to the credit quality of the parties that are extended credit. At March 31, 2018, accounts receivable from the two largest accounts comprised 64% of the total accounts receivable (2017 - 53%).

Concentrations of credit risk with respect to guaranteed investment certificates are mitigated by the credit quality of the major financial institutions issuing the investment. At March 31, 2018, the largest holding in guaranteed investment certificates with the same financial institution comprised 47% of total guaranteed investment certificate holdings (2017 - 34%).

Concentrations of credit risk with respect to Canadian fixed income investments are mitigated by ensuring that these assets are invested in financial obligations of governments, major financial institutions and other credit-worthy parties. At March 31, 2018, the largest holding in Canadian fixed income investments with the same entity comprised 26% of total Canadian fixed income investment holdings (2017 - 24%).

**Liquidity risk**

Liquidity risk is the risk that CPA Canada will not be able to meet a demand for cash or fund its obligations as they come due.

CPA Canada meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, and holding assets that can be readily converted into cash. CPA Canada has available a short-term unsecured bank facility of up to \$950, bearing interest at prime to meet temporary fluctuations in cash requirements. At March 31, 2018 and 2017, the bank facility had not been drawn upon.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***2. Financial instrument risk management** *(continued)***Currency risk**

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of CPA Canada is the Canadian dollar. CPA Canada occasionally transacts in foreign currencies when certain revenues and expenses are denominated in those currencies, or to source certain purchases, services and capital asset acquisitions internationally.

CPA Canada invests a portion of its investment portfolio in an index pooled fund which invests in foreign equities. CPA Canada mitigates its currency risk exposure by investing in an index pooled fund that is composed of investment securities denominated in multiple currencies.

**Interest rate risk**

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

CPA Canada manages the interest rate risk exposure of its investments in guaranteed investment certificates and fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations.

CPA Canada invests a portion of its investment portfolio in an index pooled fund which invests in Canadian fixed income investments. CPA Canada mitigates its interest rate exposure by investing in an index pooled fund that is composed of investments with varying terms to maturity.

**Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The investment policy of CPA Canada restricts investments in index pooled funds to selected market indices. The investment policy for index pooled funds provides for an asset mix of 55% (+/-5%) fixed income investments and 45% (+/-10%) equities and the funds are rebalanced to the asset mix on a quarterly basis. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

**Changes in risk**

There have been no significant changes in the risk profile of the financial instruments of CPA Canada from that of the prior year.

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

### 3. Short-term investments

The 2017 balance comprised a guaranteed investment certificate with an effective interest rate of 1.25%. The certificate was sold during the current fiscal year.

### 4. Investments

	2018	2017
<b>MEASURED AT AMORTIZED COST</b>		
Guaranteed investment certificates	<b>\$17,827</b>	\$24,741
Canadian fixed income	<b>13,915</b>	12,861
	<b>31,742</b>	37,602
<b>MEASURED AT FAIR VALUE</b>		
Index pooled funds		
– Canadian fixed income	<b>23,660</b>	22,915
– Canadian equities	<b>8,694</b>	8,315
– Foreign equities	<b>10,834</b>	10,412
	<b>43,188</b>	41,642
	<b>\$74,930</b>	\$79,244

The guaranteed investment certificates have effective interest rates ranging from 1.40% to 2.00% (2017 - 1.40% to 2.10%), with maturity dates ranging from April 2020 to June 2022 (2017 - March 2019 to July 2021).

The Canadian fixed income investments have effective interest rates ranging from 1.64% to 2.46% (2017 - 1.39% to 3.13%), with maturity dates ranging from January 2022 to June 2025 (2017 - November 2019 to March 2026).

The Canadian fixed income investments in the index pooled funds have effective interest rates ranging from 1.59% to 7.50% (2017 - 0.66% to 7.09%) and maturity dates ranging from April 2019 to November 2065 (2017 - March 2018 to November 2065).

### 5. Inventories

Inventories are comprised of books and publications available for sale. The amount of inventories recognized as an expense during the year was \$1,325 (2017 - \$1,664).

**Notes to the Financial Statements** (continued)  
for the year ended March 31, 2018

(all amounts in \$ thousands)

## 6. Capital assets

	2018		2017			
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
a) Tangible assets						
Land	\$3,661	\$ —	\$3,661	\$3,661	\$ —	\$3,661
Building	8,543	3,246	5,297	8,543	2,905	5,638
Building improvements	2,007	1,641	366	2,007	1,422	585
Furniture and equipment	9,910	7,204	2,706	9,147	6,436	2,711
Leasehold improvements	7,481	4,029	3,452	6,440	3,648	2,792
	<b>31,602</b>	<b>16,120</b>	<b>15,482</b>	29,798	14,411	15,387
b) Intangible assets						
Computer application software	5,315	5,240	75	5,313	5,036	277
	<b>\$36,917</b>	<b>\$21,360</b>	<b>\$15,557</b>	\$35,111	\$19,447	\$15,664

During the year, tangible assets with a net book value of \$77 (cost \$574 and accumulated amortization \$497) were disposed of at a loss of \$77. (2017 - tangible assets with a net book value of \$60 (cost \$483 and accumulated amortization \$423) and intangible assets with a net book value of \$nil (cost and accumulated amortization both of \$89) were disposed of at a loss of \$56.)

## 7. Accounts payable and accrued liabilities

	2018	2017
Trade payables and accrued liabilities	\$16,010	\$14,498
Provincial and territorial CPA organizations [Note 12]	3,267	—
Sales taxes	518	193
Payroll and withholding taxes	—	—
	<b>\$19,795</b>	\$14,691

## 8. Mortgage payable

Mortgage, interest at a fixed rate of 5.74% per annum, payable in monthly blended payments of principal and interest in the amount of \$64, up to the maturity date of October 17, 2017, at which time the amount outstanding was paid in full. Interest paid during the year was \$195 (2017 - \$371).

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

## 9. Post-retirement benefits

	2018	2017
Liability recognized in the statement of financial position:		
Pension plans	<b>\$13,759</b>	\$14,315
Other post-retirement benefits	<b>16,402</b>	15,608
	<b>\$30,161</b>	\$29,923
Defined benefit cost recognized in the statement of operations:		
Pension plans	<b>\$530</b>	\$1,260
Other post-retirement benefits	<b>800</b>	1,093
	<b>\$1,330</b>	\$2,353
Defined benefit cost recognized in the statement of changes in net assets:		
Pension plans	<b>\$(159)</b>	\$672
Other post-retirement benefits	<b>582</b>	(2,467)
	<b>\$423</b>	\$(1,795)
Total cash payments for pension and other post-retirement benefits:		
Required minimum contributions to the funded pension plan under current pension regulations	<b>\$329</b>	\$766
Benefit payments directly to beneficiaries for the unfunded supplementary pension plan	<b>598</b>	531
Contribution to fund current costs of the other post-retirement benefits plan	<b>588</b>	437
	<b>\$1,515</b>	\$1,734

### a) Pension plans

CPA Canada maintains a registered pension plan with defined benefit and defined contribution components and a non-registered unfunded supplementary pension plan.

Effective July 1, 2010, the registered pension plan was amended to eliminate the non-contributory option for new plan members of the defined benefit component after that date. Effective May 1, 2012, the defined benefit component of the registered pension plan and the supplementary pension plan were closed to new members. Members of the defined benefit component of the registered pension plan continued to accrue services until October 31, 2013. On November 1, 2013, the registered pension plan opened its defined contribution component to new members and existing defined benefit component members with less than 55 combined years of age plus service at November 1, 2013. Members with 55 or more combined years of age plus service were offered the option of staying in the defined benefit component of the registered pension plan until October 31, 2016 or transferring their participation to the defined contribution component of the registered pension plan effective November 1, 2013. All future service of plan members from November 1, 2013 onward is recognized in the defined contribution component of the registered pension plan with the exception of plan members who elected to accrue services in the defined benefit component of the registered pension plan until October 31, 2016.

On November 1, 2016, all plan members whose services were accrued in the defined benefit component of the registered pension plan before were transferred to the defined contribution component of the plan.

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***9. Post-retirement benefits** *(continued)***a) Pension plans** *(continued)*

CPA Canada funds the registered pension plan in the amount that is required by governing legislation and determined by actuarial valuations for funding purposes. Pension benefits in excess of the maximum allowable benefits permitted pursuant to the Income Tax Act are provided from the supplementary pension plan for those members who qualified prior to November 1, 2013. Contributions are made to the supplementary plan as benefits are paid.

The most recent actuarial valuation of the pension plans for accounting purposes was made on March 31, 2018.

The most recent actuarial valuation of the pension plans for funding purposes was made on January 1, 2017 and indicated required minimum funding contributions for fiscal 2017 and 2018 for solvency amortization of \$302. For fiscal 2019, the required minimum funding contribution for solvency amortization is \$823.

The next required actuarial valuation of the pension plan for funding purposes will be on January 1, 2020.

	2018			2017		
	Registered plan	Supplementary plan	Total	Registered plan	Supplementary plan	Total
<b>(i) Funded status of plans</b>						
Plan assets at fair value	<b>\$58,809</b>	<b>\$ —</b>	<b>\$58,809</b>	\$58,110	\$ —	\$58,110
Defined benefit obligations	<b>(63,599)</b>	<b>(8,969)</b>	<b>(72,568)</b>	(63,324)	(9,101)	(72,425)
Defined benefit liability	<b>\$(4,790)</b>	<b>\$(8,969)</b>	<b>\$(13,759)</b>	\$(5,214)	\$(9,101)	\$(14,315)
<b>(ii) Plan assets at fair value</b>						
Balance, beginning of year	<b>\$58,110</b>	<b>\$ —</b>	<b>\$58,110</b>	\$53,662	\$ —	\$53,662
Actual return on plan assets	<b>3,423</b>	<b>—</b>	<b>3,423</b>	5,527	—	5,527
Employer's contributions	<b>329</b>	<b>598</b>	<b>927</b>	766	531	1,297
Employees' contributions	<b>—</b>	<b>—</b>	<b>—</b>	219	—	219
Benefits paid	<b>(3,053)</b>	<b>(598)</b>	<b>(3,651)</b>	(2,064)	(531)	(2,595)
Balance, end of year	<b>\$58,809</b>	<b>\$ —</b>	<b>\$58,809</b>	\$58,110	\$ —	\$58,110
Plan assets consist of:						
Equity securities	<b>60.2%</b>	<b>—</b>	<b>60.2%</b>	59.9%	—	59.9%
Debt securities	<b>39.8%</b>	<b>—</b>	<b>39.8%</b>	40.1%	—	40.1%
	<b>100.0%</b>	<b>—</b>	<b>100.0%</b>	100.0%	—	100.0%

**Notes to the Financial Statements** (continued)

for the year ended March 31, 2018

(all amounts in \$ thousands)

**9. Post-retirement benefits** (continued)**a) Pension plans** (continued)

	2018			2017		
	Registered plan	Supplementary plan	Total	Registered plan	Supplementary plan	Total
(iii) Defined benefit obligations						
Balance, beginning of year	<b>\$(63,324)</b>	<b>\$(9,101)</b>	<b>\$(72,425)</b>	\$(58,870)	\$(8,472)	\$(67,342)
Current service cost	—	—	—	(714)	(13)	(727)
Interest cost on defined benefit obligations	<b>(2,344)</b>	<b>(337)</b>	<b>(2,681)</b>	(2,296)	(330)	(2,626)
Employees' contributions	—	—	—	(219)	—	(219)
Benefits paid	<b>3,053</b>	<b>598</b>	<b>3,651</b>	2,064	531	2,595
Actuarial loss	<b>(984)</b>	<b>(129)</b>	<b>(1,113)</b>	(3,289)	(817)	(4,106)
Balance, end of year	<b>\$(63,599)</b>	<b>\$(8,969)</b>	<b>\$(72,568)</b>	\$(63,324)	\$(9,101)	\$(72,425)

## (iv) Components of defined benefit cost

Current service cost	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	\$714	\$13	\$727
Finance cost	<b>193</b>	<b>337</b>	<b>530</b>	203	330	533
Defined benefit cost recognized in the statement of operations	<b>193</b>	<b>337</b>	<b>530</b>	917	343	1,260
Remeasurements and other items:						
• difference between the actual return on plan assets and the return calculated using the discount rate used in determining the defined benefit obligation at the beginning of the year	<b>(1,272)</b>	—	<b>(1,272)</b>	(3,434)	—	(3,434)
• actuarial loss	<b>984</b>	<b>129</b>	<b>1,113</b>	3,289	817	4,106
Defined benefit cost recognized in the statement of changes in net assets	<b>(288)</b>	<b>129</b>	<b>(159)</b>	(145)	817	672
Defined benefit cost	<b>\$(95)</b>	<b>\$466</b>	<b>\$371</b>	\$772	\$1,160	\$1,932

## (v) Actuarial assumptions

The significant actuarial assumptions used in measuring the defined pension obligations and the defined benefit cost for the years then ended are as follows:

	2018		2017	
	Defined benefit obligations	Defined benefit cost	Defined benefit obligations	Defined benefit cost
Discount rate	<b>3.60%</b>	<b>3.70%</b>	3.70%	3.90%
Rate of compensation increase	<b>3.00%</b>	<b>3.00%</b>	3.00%	3.00%

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***9. Post-retirement benefits** *(continued)***a) Pension plans** *(continued)***(vi) Defined contribution component**

CPA Canada matches employee contributions to the defined contribution component of the registered pension plan. The matching rate is based on the member's level of contributions, earnings and years of service. The contributions made during fiscal 2018 were \$2,415 (2017 - \$1,951).

**b) Other post-retirement benefits**

CPA Canada provides non-pension post-retirement health, dental, and nominal life insurance benefits to its retired employees through defined benefit plans. Benefits are provided through a group insurance contract and are paid through the payment of annual insurance premiums to an insurance provider.

The most recent actuarial valuation of the non-pension post-retirement benefit plans for accounting purposes was made on March 31, 2018.

	2018	2017
<b>(i) Funded status of plans</b>		
Plan assets at fair value	\$—	\$—
Defined benefit obligations	<b>(16,402)</b>	(15,608)
Defined benefit liability	<b>\$(16,402)</b>	\$(15,608)
<b>(ii) Plan assets at fair value</b>		
Balance, beginning of year	\$—	\$—
Employer's contributions	<b>588</b>	437
Benefits paid	<b>(588)</b>	(437)
Balance, end of year	<b>\$—</b>	\$—
<b>(iii) Defined benefit obligations</b>		
Balance, beginning of year	<b>\$(15,608)</b>	\$(17,419)
Current service cost	<b>(207)</b>	(395)
Interest cost on defined benefit obligations	<b>(593)</b>	(698)
Benefits paid	<b>588</b>	437
Actuarial gain (loss)	<b>(582)</b>	2,467
Balance, end of year	<b>\$(16,402)</b>	\$(15,608)

**Notes to the Financial Statements** (continued)  
for the year ended March 31, 2018

(all amounts in \$ thousands)

**9. Post-retirement benefits** (continued)

**b) Other post-retirement benefits** (continued)

	2018	2017
<b>(iv) Components of defined benefit cost</b>		
Current service cost	<b>\$207</b>	\$395
Finance cost	<b>593</b>	698
Defined benefit cost recognized in the statement of operations	<b>800</b>	1,093
Remeasurements and other items		
• actuarial loss (gain)	<b>582</b>	(2,467)
Defined benefit cost recognized in the statement of changes in net assets	<b>582</b>	(2,467)
Defined benefit cost (credit)	<b>\$1,382</b>	\$(1,374)

**(v) Actuarial assumptions**

The significant actuarial assumptions used in measuring the defined benefit obligations and the defined benefit cost for the years then ended are as follows:

	2018		2017	
	Defined benefit obligations	Defined benefit cost	Defined benefit obligations	Defined benefit cost
Discount rate	3.60%	3.80%	3.80%	4.00%
Initial health care trend rate	5.62%	5.72%	5.72%	5.89%
Ultimate health care trend rate	4.50%	4.50%	4.50%	4.50%
Year that the health care trend rate reaches the ultimate rate	2028	2028	2028	2028

**c) Financial risks**

The primary long-term risk to CPA Canada of the post-retirement benefit plans is that the plan assets and future operational cash flows of CPA Canada will be insufficient to satisfy plan obligations. A summary of the funded status of the plans is as follows:

	2018	2017
<b>Funded plan:</b>		
Plan assets at fair value	<b>\$58,809</b>	\$58,110
Defined benefit obligations	<b>(63,599)</b>	(63,324)
	<b>(4,790)</b>	(5,214)
<b>Unfunded plans:</b>		
Defined benefit obligations – Pension plan	<b>(8,969)</b>	(9,101)
– Other post-retirement benefits	<b>(16,402)</b>	(15,608)
	<b>(25,371)</b>	(24,709)
Post-retirement benefits liability recognized in the statement of financial position	<b>\$(30,161)</b>	\$(29,923)

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***9. Post-retirement benefits** *(continued)***c) Financial risks** *(continued)*

The liabilities of the plans expose CPA Canada to various forms of risk, including liquidity risk and the risk associated with changes in actuarial assumptions, primarily interest rate risk with reference to the discount rate used to measure the defined benefit obligations of the plans.

The assets of the funded plan expose CPA Canada to various forms of risk, including credit, liquidity and market risk which is comprised of interest rate, currency and other price risk. The assets of the plan comprise investments in index pooled funds with an asset mix of 40% (+/-3%) fixed income investments and 60% (+/-3%) equities, and are rebalanced on a quarterly basis.

CPA Canada mitigates the risks relating to the plan assets in the same way it mitigates risks relating to its financial instruments. In addition, there is a natural offset for the interest rate risk on the liability of its funded plan since the value of its investments in index pooled funds is also affected by changes in interest rates.

**10. Commitments****a) Premises leases**

CPA Canada has entered into lease agreements for its office premises. The agreements require CPA Canada to pay a proportionate share of property taxes and operating expenses.

The future annual lease payments for the office premises, including an estimate of the proportionate share of property taxes and operating expenses, are as follows:

2019	\$3,791
2020	3,847
2021	3,797
2022	3,797
2023	3,977
Subsequent years	19,365
	<b>\$38,574</b>

**b) Deferred lease incentives**

	2018			2017		
	Tenant inducements	Reduced rent benefits	Total	Tenant inducements	Reduced rent benefits	Total
Balance, beginning of year	\$1,649	\$110	\$1,759	\$1,862	\$162	\$2,024
Additions during the year	1,060	—	1,060	—	—	—
Amortization	(219)	(110)	(329)	(213)	(52)	(265)
Balance, end of year	<b>\$2,490</b>	<b>\$—</b>	<b>\$2,490</b>	\$1,649	\$110	\$1,759

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)***10. Commitments** *(continued)***b) Deferred lease incentives** *(continued)*

Pursuant to lease amending agreements for its Toronto office premises, CPA Canada recognized \$1,190 as a long-term accounts receivable and as deferred lease incentives in fiscal 2016, as monies were expended towards eligible leasehold improvements that upon commencement of the amended lease effective September 1, 2017, would trigger the payment of leasehold inducements to CPA Canada in the same amount. CPA Canada was also eligible for the receipt of additional tenant inducements of \$667 at the commencement of the amended lease effective September 1, 2017. CPA Canada received total tenant inducements of \$1,857 in fiscal 2018.

In fiscal 2018, CPA Canada entered into a lease agreement for its new Montreal office premises. The lease of the previous office was terminated without further liability. Unamortized reduced rent benefits of \$80 related to the previous lease were recognized in income in fiscal 2018. Pursuant to the lease agreement for its new Montreal office premises, CPA Canada received tenant inducements of \$393.

**c) Contractual obligations**

In alignment with its digital strategy, consultants have been engaged by CPA Canada for a duration of 36 months from January 15, 2018 to January 15, 2021 to assist in the production and distribution of the digital and print versions of the *CPA Magazine* at an annual cost of \$2,150.

**11. Investment income**

	2018	2017
<b>INVESTMENTS MEASURED AT AMORTIZED COST</b>		
Interest from short-term investments	\$7	\$8
Interest from guaranteed investment certificates	143	395
Interest from fixed income investments	415	189
Realized loss on sale of investments	(475)	(130)
	<b>90</b>	<b>462</b>
<b>INVESTMENTS MEASURED AT FAIR VALUE</b>		
Interest from cash	99	50
Distributions from index pooled funds	3,272	2,069
Unrealized appreciation (depreciation) in fair value of index pooled funds	(1,830)	1,106
Realized gain on sale of investments	104	263
	<b>1,645</b>	<b>3,488</b>
	<b>\$1,735</b>	<b>\$3,950</b>

**12. Education agreement**

During fiscal 2017, an agreement was reached between CPA Canada and each provincial and territorial CPA organization in respect of \$3,045 that CPA Canada will receive from the provincial and territorial CPA organizations for development costs of the education and examination components of the CPA Certification Program and Preparatory Courses incurred prior to April 1, 2016. As of March 31, 2018, CPA Canada had received \$2,230, with the remaining \$815 recognized in current accounts receivable. As of March 31, 2017,

**Notes to the Financial Statements** *(continued)**for the year ended March 31, 2018**(all amounts in \$ thousands)*

CPA Canada had received \$1,253. Of the remaining \$1,792 receivable at March 31, 2017, \$896 was recognized in current accounts receivable and the remaining \$896 was recognized as a long-term account receivable.

The agreement also provides for the annual true-up of the actual cost to CPA Canada of the continued development of the education and examination components of the CPA Certification Program and Preparatory Courses in comparison to the budgeted cost. Variances of actual to budgeted cost are primarily driven by estimates of student registrations compared to actual registrations. Any favourable variances from the budget will be refunded by CPA Canada to the provincial and territorial CPA organizations, whereas CPA Canada will be in receipt of any unfavourable variances from the provincial and territorial CPA organizations.

For the year ended March 31, 2018, CPA Canada realized a favourable variance from budget of \$3,469 (2017 - \$2,134) in connection with the continued development of the education and examination components of the CPA Certification Program and Preparatory Courses. Of this amount, \$202 has been offset against amounts owing from the provincial and territorial CPA organizations [Note 13]. The remaining balance of \$3,267 is presented in accounts payable and accrued liabilities [Note 7].

**13. Advanced Certificate in Accounting and Finance**

During fiscal 2017, an agreement was reached between CPA Canada and each provincial and territorial CPA organization in respect of \$2,336 that CPA Canada will receive from the provincial and territorial CPA organizations for the development costs of the Advanced Certificate in Accounting and Finance Program incurred in fiscal 2017. \$2,134 of this amount was offset against amounts owing to the provincial and territorial CPA organizations as detailed in note 12 related to the favourable variance from budget realized in fiscal 2017 in connection with the continued development of the education and examination components of the CPA Certification Program and Preparatory Courses. The remaining \$202 has been offset against other amounts owing to the provincial and territorial CPA organizations in the current year [Note 12].

**14. Comparative figures**

The comparative figures of the Statement of Operations have been reclassified to conform with the current year's presentation. In the prior year, the figures were presented as follows:

	2017
<b>REVENUES</b>	
Members' fees	\$64,818
Certification education programs	22,143
Professional learning and development	14,753
Publications, products and services	11,305
Investment income	3,950
<i>CPA Magazine</i>	1,744
Other	471
	119,184

**Notes to the Financial Statements** *(continued)*  
*for the year ended March 31, 2018*

*(all amounts in \$ thousands)*

**14. Comparative figures** *(continued)*

	2017
<b>EXPENSES</b>	
Certification education programs	20,096
Finance and administration	15,876
Professional learning and development	15,182
Governance and international relations	14,401
Publications, products and services	13,190
Standards	11,113
Strategic communications, branding and public affairs	8,524
Research, guidance and support	7,446
<i>CPA Magazine</i>	4,479
	110,307
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$8,877</b>

The changes do not affect the prior year excess of revenues over expenses.

# Governance



## CHAIR

### **Terry LeBlanc**

FCPA, FCGA  
Retired Executive  
Canada Revenue Agency  
Moncton, New Brunswick



## VICE-CHAIR

### **Amanda Whitewood**

FCPA, FCMA  
Chief Operating Officer  
IWK Health Centre  
Halifax, Nova Scotia

The CPA Canada Board of Directors provides oversight of the strategic direction of CPA Canada and the Council of Chief Executives in its management of the core elements of the profession: strategic planning, public trust and ethics, education and qualification, and brand and reputation management.

## Board Standing Committees

The board is assisted in fulfilling its responsibilities by the following standing committees:

1. Audit
2. Nominating and Governance
3. Human Resources and Compensation
4. Education and Qualifications Advisory

## Meetings

The board conducts five regular meetings per year, in addition to its retreat, education day and joint strategy session with the Council of Chief Executives. It receives reports at each of its regular meetings from the president and CEO and the four standing committees. These regular meetings provide the opportunity for the board to engage with the Council of Chief Executives through its chair and standing committee chairs.

## Changing Leaders

Terry LeBlanc, FCPA, FCGA, became the new chair of the board, succeeding Alain Côté, FCPA, FCA, and Amanda Whitewood, FCPA, FCMA, assumed the role of vice-chair following the annual general meeting in September 2017. LeBlanc is well entrenched in the affairs of CPA Canada, having served as a director since 2013, and as vice-chair since 2015. Two new directors also joined the board following the annual general meeting: Fahd Bouayed, CPA, CA (Québec) and Dan Little, FCPA, FCA (British Columbia/Yukon).

## Term Limits

To ensure that the vitality of the board is maintained, directors' terms of office are staggered, with one-quarter expiring each year, and directors serve for no more than two consecutive three-year terms.

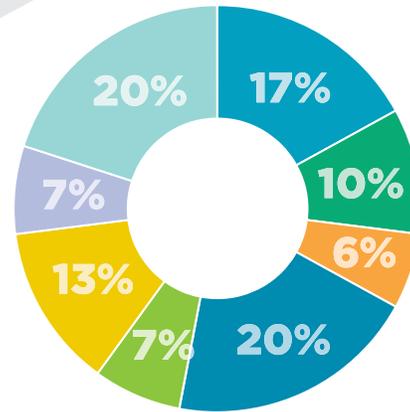
## Board Diversity

Diversity is a hallmark of a strong, well-functioning board. The CPA Canada board nominating process ensures regional diversity. The board also strives to achieve a variety of backgrounds, skills, competencies and personal characteristics to reflect our membership. Its success in this regard is no mean feat given that it has authority to nominate only four of the 12 directors. The remaining eight directors are nominated by the provincial bodies and geographic regions, which have been extremely collaborative in taking into consideration CPA Canada's requirements of candidates to complement the board.

## Next Steps for the Board

With much being achieved since CPA Canada was created five years ago, the board is now focused on sustainability – ensuring that the profession continues to thrive into the future, while contributing to the public good nationally and internationally. Identifying enhancements to the governance model for the Canadian CPA profession will be a key element in achieving this objective. The board has appointed a working group on governance to conduct research and identify common themes in advance of the launch of a review of the *Collaboration Accord* at the end of 2018.

## Board Diversity: Industry Knowledge



## CPA Canada Board of Directors 2017-2018

### Directors



#### Fahd Bouayed

CPA, CA  
Partner and Global Head of Financial  
Advisory Services  
Chappuis Halder & Co.  
Montréal, Québec



#### Alain Dugal

FCPA, FCA  
Retired Partner  
PricewaterhouseCoopers  
Montréal, Québec



#### Gregory Gallant

FCPA, FCA  
Partner, Grant Thornton LLP  
Toronto, Ontario



#### Nancy Hopkins

Q.C., CPA (Hon), ICD.D  
Partner, McDougall Gauley LLP  
Saskatoon, Saskatchewan  
(Public Representative)



#### Marilyn Kuntz

FCPA, FCA  
Retired Partner, BDO Canada LLP  
Calgary, Alberta



#### Jonathan Levin

Partner, Fasken Martineau  
Toronto, Ontario  
(Public Representative)



#### D.R. (Dan) Little

FCPA, FCA  
Managing Partner  
Vancouver Island Business Unit  
Grant Thornton LLP  
Duncan, British Columbia



#### Susan Moellers

FCPA, FCMA  
Professional Director  
Toronto, Ontario



#### Dorothy Rice

FCPA, FCMA  
Managing Director Electoral Finance  
Elections Nova Scotia  
Halifax, Nova Scotia



#### Rod Wiley

FCPA, FCMA  
Associate, Praxis Consulting  
Regina, Saskatchewan

### CPA Canada directors completing terms of office in September 2017

Alain Côté, FCPA, FCA (chair), Manon Durivage, FCPA, FCA, John Nagy, FCPA, FCGA

## Senior Management of CPA Canada as of March 31, 2018



**Stephen Anisman**  
CPA, CMA  
Vice-President, Finance and  
Chief Financial Officer



**Bruce Ball**  
FCPA, FCA, CFP  
Vice-President, Taxation



**Tashia Batstone**  
MBA, FCPA, FCA  
Senior Vice-President,  
External Relations and  
Business Development



**Gordon Beal**  
CPA, CA, M.Ed.  
Vice-President,  
Research, Guidance and Support



**Gale Evans**  
CPA, CMA, C.Dir.  
Vice-President, Administration



**Nancy Foran**  
FCPA, FCMA, C.Dir.  
Vice-President, International



**Stephenie Fox**  
CPA, CA  
Vice-President, Financial Reporting  
& Assurance Standards Canada



**Andrew (Sandy) Hilton**  
Ph.D., M.A., FCPA, FCA  
Vice-President, Pre-Certification  
Education



**Lorraine Pitt**  
MBA  
Vice-President, Marketing,  
Communications and Public Affairs



**Lou Ragagnin**  
CPA, CA  
Senior Vice-President,  
Operations



**Joy Thomas**  
MBA, FCPA, FCMA, C.Dir.  
President and CEO



**Janet Treasure**  
FCPA, FCMA  
Vice-President, Member  
Development and Support



**Heather Whyte**  
MBA, APR  
Senior Vice-President,  
Marketing, Communications and  
Public Affairs



**Michele Wood-Tweel**  
FCPA, FCA  
Vice-President, Regulatory Affairs













**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
CANADA

CHARTERED PROFESSIONAL  
ACCOUNTANTS OF CANADA  
277 WELLINGTON STREET WEST  
TORONTO ON CANADA M5V 3H2  
T. 416 977.3222 F. 416 977.8585

[WWW.CPACANADA.CA](http://WWW.CPACANADA.CA)