

Financial Statements

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

Opinion

We have audited the financial statements of Chartered Professional Accountants of Canada ("CPA Canada"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CPA Canada as at March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CPA Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of CPA Canada to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CPA Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of CPA Canada.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of CPA Canada.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of CPA Canada to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CPA Canada to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 17, 2020

Statement of Financial Position

as at March 31

	2020 (\$000's)	2019 (\$000's)
ASSETS		
Current Assets		
Cash	\$23,581	\$11,191
Accounts receivable	12,487	6,596
Short-term investments [Note 3]	8,060	6,700
Investments [Note 4]	3,289	883
Inventories [Note 5]	428	384
Prepaid expenses	1,985	1,848
	49,830	27,602
Investments [Note 4]	68,030	91,860
Capital Assets [Note 6]		
Tangible assets	6,977	6,144
Intangible assets	—	13
	6,977	6,157
	75,007	98,017
	\$124,837	\$125,619
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities [Note 7 & 11]	\$20,962	\$19,253
Deferred revenue	14,983	16,223
	35,945	35,476
Post-retirement Benefits [Note 8]	26,376	31,992
Deferred Lease Incentives [Note 9]	2,259	2,548
	28,635	34,540
	64,580	70,016
NET ASSETS		
Invested in capital assets	4,832	3,735
Unrestricted	55,425	51,868
	60,257	55,603
	\$124,837	\$125,619

The accompanying notes are an integral part of these financial statements

On behalf of the Board,



Amanda Whitewood, FCPA, FCMA
Director



Gregory Gallant, FCPA, FCA
Director

Statement of Operations

for the year ended March 31

	2020 (\$000's)	2019 (\$000's)
REVENUES		
Members' fees	\$70,367	\$69,500
Professional development, products and services	26,805	27,001
Certification education programs	26,404	26,761
<i>Pivot</i> Magazine	849	829
Investment income [Note 10]	769	3,946
International programs	570	739
	125,764	128,776
EXPENSES		
Certification education programs [Note 11]	26,523	27,239
Professional development, products and services [Note 5]	26,282	25,395
Finance and administration	19,421	18,456
Governance and international relations	18,374	15,010
Standards	13,217	13,432
Marketing, communications and public affairs	9,990	10,398
Research, guidance and support	6,642	6,854
<i>Pivot</i> Magazine	2,647	2,627
International programs	1,962	2,269
Financial literacy programs	1,645	1,187
	126,703	122,867
Excess of revenues over expenses (expenses over revenues) before the following	(939)	5,909
Gain (loss) realized on sale of tangible assets [Note 6]	(19)	6,400
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	\$(958)	\$12,309

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		2020 (\$000's)	Invested in		2019 (\$000's)
	Capital Assets	Unrestricted		Capital Assets	Unrestricted	
Balance, beginning of year	\$3,735	\$51,868	\$55,603	\$13,067	\$32,089	\$45,156
Excess of revenues over expenses (expenses over revenues)	—	(958)	(958)	—	12,309	12,309
Amortization of capital assets	(1,532)	1,532	—	(1,814)	1,814	—
Amortization of deferred tenant inducements	277	(277)	—	275	(275)	—
Purchase of tangible assets	2,374	(2,374)	—	1,522	(1,522)	—
Tenant inducements received in the year	—	—	—	(207)	207	—
Disposal of tangible assets	(22)	22	—	(9,108)	9,108	—
Defined benefit credits (costs) – remeasurements and other items	—	5,612	5,612	—	(1,862)	(1,862)
Balance, end of year	\$4,832	\$55,425	\$60,257	\$3,735	\$51,868	\$55,603

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

for the year ended March 31

	2020 (\$000's)	2019 (\$000's)
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	\$(958)	\$12,309
Adjustments to determine net cash provided by (used in) operating activities:		
Amortization of tangible assets	1,519	1,752
Amortization of intangible assets	13	62
Loss (gain) on disposal of tangible assets	19	(6,400)
Interest capitalized on investments	(486)	(603)
Interest received on investments capitalized in prior years	455	16
Reinvested distributions from index pooled funds	(1,929)	(1,603)
Realized gain on sale of investments	(3)	(17)
Unrealized depreciation (appreciation) in fair value of index pooled funds	2,615	(1,262)
Required post-retirement benefits funding	(1,315)	(1,345)
Post-retirement benefits expense	1,311	1,314
Amortization of deferred lease incentives	(289)	(278)
	952	3,945
Change in non-cash working capital items		
Accounts receivable	(5,891)	214
Inventories	(44)	(28)
Prepaid expenses	(137)	1,210
Accounts payable and accrued liabilities	1,709	(542)
Deferred revenue	(1,240)	(1,386)
	(4,651)	3,413
INVESTING ACTIVITIES		
Purchase of short-term investments	(18,060)	(18,893)
Purchase of investments	(15,398)	(28,760)
Proceeds on sale of short-term investments	16,700	12,193
Proceeds on sale of investments	36,170	14,416
Purchase of tangible assets	(2,374)	(1,522)
Proceeds on disposal of tangible assets	3	15,508
Receipt of lease incentives	—	336
	17,041	(6,722)
Net change in cash	12,390	(3,309)
Cash, beginning of year	11,191	14,500
Cash, end of year	\$23,581	\$11,191

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

for the year ended March 31, 2020

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

(ii) Professional development, products and services

Revenue is recognized at the time of shipment, when programs are presented, 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 program being presented, the service being rendered or the subscription period is recorded as deferred revenue.

(iii) 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.

Notes to the Financial Statements *(continued)**for the year ended March 31, 2020**(all amounts in \$ thousands)***1. Significant accounting policies** *(continued)***a) Revenue recognition** *(continued)**(iv) Pivot 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.

(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) International programs

Student registration fees are recognized as revenue in 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 fiscal 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 ninety-one 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.

e) 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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

1. Significant accounting policies *(continued)*

f) 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 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.

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.

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 cash, accounts receivable, short-term investments 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.

(ii) **Impairment**

At the end of each year, 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:

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

1. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(ii) Impairment *(continued)*

- 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
- 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.

g) 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.

(i) **Tangible assets**

Tangible assets, consisting of furniture and equipment and leasehold improvements, 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 tangible assets over their estimated useful lives as follows:

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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

1. Significant accounting policies *(continued)*

g) Capital assets *(continued)*

(ii) **Intangible assets** *(continued)*

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.

h) 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.

- (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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

1. Significant accounting policies *(continued)*

h) Post-retirement benefits *(continued)*

Defined benefit plans *(continued)*

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.

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.

i) Deferred lease incentives

Lease incentives received include reduced rent benefits and tenant inducements received in cash used to purchase capital assets.

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.

j) Net assets invested in capital assets

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

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

1. Significant accounting policies *(continued)*

k) 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 those instruments may be subject, are as follows:

Financial instruments	Risks				
	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X			X	
Accounts receivable	X				
Short-term investments	X			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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

2. Financial instrument risk management *(continued)*

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:

	2020	2019
Cash	\$23,581	\$11,191
Accounts receivable	12,487	6,596
Short-term investments	8,060	6,700
Investments – guaranteed investment certificates	24,625	24,153
Investments – Canadian fixed income	1,014	22,390
Investments – index pooled funds: Canadian fixed income	25,087	25,380
	\$94,854	\$96,410

Cash and investments: Credit risk associated with cash, short-term investments 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 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, 2020, an allowance for doubtful accounts in the amount of \$89 has been provided for (2019 - \$113).

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, 2020, accounts receivable from the two largest accounts comprised 80% of the total accounts receivable (2019 - 52%).

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, 2020, the largest holding in guaranteed investment certificates with the same financial institution comprised 40% of total guaranteed investment certificate holdings (2019 - 44%).

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, 2020, Canadian fixed income investments consisted of one investment with a major financial institution (2019 - the largest holding in Canadian fixed income investments with the same entity comprised 23% of total Canadian fixed income investment holdings).

Notes to the Financial Statements *(continued)**for the year ended March 31, 2020**(all amounts in \$ thousands)***2. Financial instrument risk management** *(continued)***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, 2020 and 2019, 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 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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

2. Financial instrument risk management *(continued)*

Other price risk *(continued)*

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. The portfolio of index pooled funds is 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.

3. Short-term investment

Guaranteed investment certificates with effective interest rates ranging from 1.65% to 2.25% (2019 - 1.70% to 2.30%) maturing no later than July 2020 (2019 - no later than March 2020).

4. Investments

	2020	2019
MEASURED AT AMORTIZED COST		
Guaranteed investment certificates	\$24,625	\$24,153
Canadian fixed income	1,014	22,390
	25,639	46,543
MEASURED AT FAIR VALUE		
Index pooled funds		
– Canadian fixed income	25,087	25,380
– Canadian equities	9,289	9,229
– Foreign equities	11,304	11,591
	45,680	46,200
	\$71,319	\$92,743
CURRENT		
Guaranteed investment certificates	\$3,289	\$—
Canadian fixed income	—	883
	3,289	883
LONG-TERM		
Guaranteed investment certificates	21,336	24,153
Canadian fixed income	1,014	21,507
Index pooled funds	45,680	46,200
	68,030	91,860
	\$71,319	\$92,743

The guaranteed investment certificates have effective interest rates ranging from 1.40% to 2.65% (2019 - 1.40% to 2.65%), with maturity dates ranging from April 2020 to March 2024 (2019 - April 2020 to March 2024).

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

4. Investments *(continued)*

The Canadian fixed income investment has an effective interest rate of 2.00% (2019 - ranging from 1.65% to 2.88%), maturing in June 2021 (2019 - ranging from December 2019 to June 2025).

The Canadian fixed income investments in the index pooled funds have effective interest rates ranging from 0.44% to 9.96% (2019 - 1.99% to 7.80%) and maturity dates ranging from October 2020 to November 2065 (2019 - April 2019 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 \$379 (2019 - \$449).

6. Capital assets

	2020			2019		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
TANGIBLE ASSETS						
Furniture and equipment	\$11,600	\$8,602	\$2,998	\$10,993	\$8,277	\$2,716
Leasehold improvements	8,123	4,144	3,979	7,116	3,688	3,428
	19,723	12,746	6,977	18,109	11,965	6,144
INTANGIBLE ASSETS						
Computer application software	5,315	5,315	—	5,315	5,302	13
	\$25,038	\$18,061	\$6,977	\$23,424	\$17,267	\$6,157

During the current year, tangible assets, comprised of furniture and equipment and leasehold improvements with a net book value of \$22 (cost \$760 and accumulated amortization \$738) were disposed of for proceeds of \$3 resulting in a loss of \$19.

During the prior year, tangible assets, comprised of land, building, building improvements, furniture and equipment and leasehold improvements with a net book value of \$9,108 (cost \$15,015 and accumulated amortization \$5,907) were disposed of for proceeds of \$15,508 resulting in a gain of \$6,400.

7. Accounts payable and accrued liabilities

	2020	2019
Trade payables and accrued liabilities	\$18,858	\$18,320
Provincial and territorial CPA organizations [Note 11]	1,741	866
Sales taxes	363	67
Payroll and withholding taxes	—	—
	\$20,962	\$19,253

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

8. Post-retirement benefits

	2020	2019
Liability recognized in the statement of financial position:		
Pension plans	\$12,181	\$15,041
Other post-retirement benefits	14,195	16,951
	\$26,376	\$31,992
Defined benefit costs recognized in the statement of operations:		
Pension plans	\$496	\$495
Other post-retirement benefits	815	819
	\$1,311	\$1,314
Defined benefit (credits) costs recognized in the statement of changes in net assets:		
Pension plans	\$(2,790)	\$1,429
Other post-retirement benefits	(2,822)	433
	\$(5,612)	\$1,862
Total cash payments for pension and other post-retirement benefits:		
Required minimum contributions to the funded pension plan under current pension regulations	\$ —	\$76
Benefit payments directly to beneficiaries for the unfunded supplementary pension plan	566	566
Contributions to fund current costs of the other post-retirement benefits plan	749	703
	\$1,315	\$1,345

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, after which their future service is also recognized in the defined contribution component of the registered pension plan.

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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)
8. Post-retirement benefits *(continued)*
a) Pension plans *(continued)*

The most recent actuarial valuation of the pension plans for accounting purposes was made on March 31, 2020.

The most recent actuarial valuation of the pension plans for funding purposes was made on January 1, 2018 and indicated that no further funding contribution is required until the next required actuarial valuation on January 1, 2021, when the requirement will be reassessed. In fiscal 2019, CPA Canada followed the minimum funding requirement from the previous actuarial valuation for funding purposes on January 1, 2017, and contributed \$76 for solvency amortization prior to the completion of the January 1, 2018 valuation.

	2020			2019		
	Registered plan	Supplementary plan	Total	Registered plan	Supplementary plan	Total
(i) Funded status of plans						
Plan assets at fair value	\$53,723	\$ —	\$53,723	\$59,415	\$ —	\$59,415
Defined benefit obligations	(57,880)	(8,024)	(65,904)	(65,451)	(9,005)	(74,456)
Defined benefit liability	\$(4,157)	\$(8,024)	\$(12,181)	\$(6,036)	\$(9,005)	\$(15,041)
(ii) Plan assets at fair value						
Balance, beginning of year	\$59,415	\$ —	\$59,415	\$58,809	\$ —	\$58,809
Actual return on plan assets	(2,338)	—	(2,338)	3,240	—	3,240
Employer's contributions	—	566	566	76	566	642
Employees' contributions	—	—	—	—	—	—
Benefits paid	(3,354)	(566)	(3,920)	(2,710)	(566)	(3,276)
Balance, end of year	\$53,723	\$ —	\$53,723	\$59,415	\$ —	\$59,415
Plan assets consist of:						
Equity securities	60.0%	—	60.0%	60.1%	—	60.1%
Debt securities	40.0%	—	40.0%	39.9%	—	39.9%
	100.0%	—	100.0%	100.0%	—	100.0%

(iii) Defined benefit obligations

Balance, beginning of year	\$(65,451)	\$(9,005)	\$(74,456)	\$(63,599)	\$(8,969)	\$(72,568)
Current service cost	—	—	—	—	—	—
Interest cost on defined benefit obligations	(2,160)	(297)	(2,457)	(2,290)	(323)	(2,613)
Employees' contributions	—	—	—	—	—	—
Benefits paid	3,354	566	3,920	2,710	566	3,276
Actuarial gain (loss)	6,377	712	7,089	(2,272)	(279)	(2,551)
Balance, end of year	\$(57,880)	\$(8,024)	\$(65,904)	\$(65,451)	\$(9,005)	\$(74,456)

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)
8. Post-retirement benefits *(continued)*
a) Pension plans *(continued)*

	2020			2019		
	Registered plan	Supplementary plan	Total	Registered plan	Supplementary plan	Total
(iv) Components of defined benefit costs						
Current service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Finance cost	199	297	496	172	323	495
Defined benefit costs recognized in the statement of operations	199	297	496	172	323	495
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	4,299	—	4,299	(1,122)	—	(1,122)
• actuarial (gain) loss	(6,377)	(712)	(7,089)	2,272	279	2,551
Defined benefit costs (credits) recognized in the statement of changes in net assets	(2,078)	(712)	(2,790)	1,150	279	1,429
Defined benefit cost (credit)	\$(1,879)	\$(415)	\$(2,294)	\$1,322	\$602	\$1,924

(v) Actuarial assumptions

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

	2020		2019	
	Defined benefit obligations	Defined benefit costs	Defined benefit obligations	Defined benefit costs
Discount rate	4.10%	3.30%	3.30%	3.60%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

(vi) Defined contribution component

CPA Canada matches employee contributions to the defined contribution component of the registered pension plan. The matching contribution is based on the member's earnings, level of contributions, age and years of service. The contributions made during fiscal 2020 were \$2,618 (2019 - \$2,546).

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.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)
8. Post-retirement benefits *(continued)*
b) Other post-retirement benefits *(continued)*

The most recent actuarial valuation of the non-pension post-retirement benefit plans for accounting purposes was made on March 31, 2020.

	2020	2019
(i) Funded status of plans		
Plan assets at fair value	\$—	\$—
Defined benefit obligations	(14,195)	(16,951)
Defined benefit liability	\$(14,195)	\$(16,951)
(ii) Plan assets at fair value		
Balance, beginning of year	\$—	\$—
Employer's contributions	749	703
Benefits paid	(749)	(703)
Balance, end of year	\$—	\$—
(iii) Defined benefit obligations		
Balance, beginning of year	\$(16,951)	\$(16,402)
Current service cost	(239)	(229)
Interest cost on defined benefit obligations	(576)	(590)
Benefits paid	749	703
Actuarial gain (loss)	2,822	(433)
Balance, end of year	\$(14,195)	\$(16,951)
(iv) Components of defined benefit costs		
Current service cost	\$239	\$229
Finance cost	576	590
Defined benefit costs recognized in the statement of operations	815	819
Remeasurements and other items:		
• actuarial (gain) loss	(2,822)	433
Defined benefit (credit) costs recognized in the statement of changes in net assets	(2,822)	433
Defined benefit (credit) cost	\$(2,007)	\$1,252

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

8. Post-retirement benefits *(continued)*

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

(v) Actuarial assumptions

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

	2020		2019	
	Defined benefit obligations	Defined benefit costs	Defined benefit obligations	Defined benefit costs
Discount rate	4.20%	3.40%	3.40%	3.60%
Health care inflation – select	5.19%	5.27%	5.27%	5.62%
Health care inflation – ultimate	4.00%	4.00%	4.00%	4.50%
Year ultimate rate reached	2040	2040	2040	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:

	2020	2019
Funded plan:		
Plan assets at fair value	\$53,723	\$59,415
Defined benefit obligations	(57,880)	(65,451)
	(4,157)	(6,036)
Unfunded plans:		
Defined benefit obligations – pension plan	(8,024)	(9,005)
– other post-retirement benefits	(14,195)	(16,951)
	(22,219)	(25,956)
Post-retirement benefits liability recognized in the statement of financial position	\$(26,376)	\$(31,992)

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. The portfolio of index pooled funds is rebalanced to the asset mix on a quarterly basis.

CPA Canada mitigates the risks relating to the plan assets in the same manner 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 fixed income index pooled funds is also affected by changes in interest rates.

Notes to the Financial Statements (continued)

for the year ended March 31, 2020

(all amounts in \$ thousands)

9. 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:

2021	\$4,510
2022	4,264
2023	4,435
2024	4,685
2025	4,331
Subsequent years	11,789
	\$34,014

b) Deferred lease incentives

	2020			2019		
	Tenant inducements	Reduced rent benefits	Total	Tenant inducements	Reduced rent benefits	Total
Balance, beginning of year	\$2,422	\$126	\$2,548	\$2,490	\$ —	\$2,490
Additions during the year	—	—	—	207	129	336
Amortization	(277)	(12)	(289)	(275)	(3)	(278)
Balance, end of year	\$2,145	\$114	\$2,259	\$2,422	\$126	\$2,548

In fiscal 2019, CPA Canada entered into a lease agreement for its new Ottawa office premises. Pursuant to the lease agreement, CPA Canada received tenant inducements of \$207.

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. Pursuant to the lease agreement for its new Montreal office premises, CPA Canada received tenant inducements of \$393 in fiscal 2018, and reduced rent benefits of \$129 in fiscal 2019.

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 *Pivot Magazine* at an estimated annual cost of \$2,150.

Notes to the Financial Statements *(continued)*

for the year ended March 31, 2020

(all amounts in \$ thousands)

10. Investment income

	2020	2019
INVESTMENTS MEASURED AT AMORTIZED COST		
Interest from cash	\$224	\$260
Interest from short-term investments	321	125
Interest from guaranteed investment certificates	472	325
Interest from fixed income investments	435	354
Realized loss on sale of investments	(163)	(131)
	1,289	933
INVESTMENTS MEASURED AT FAIR VALUE		
Distributions from index pooled funds	1,929	1,603
Unrealized appreciation (depreciation) in fair value of index pooled funds	(2,615)	1,262
Realized gain on sale of index pooled funds	166	148
	(520)	3,013
	\$769	\$3,946

11. Education agreement

During fiscal 2017, an agreement was reached between CPA Canada and each provincial and territorial CPA organization that 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, 2020, CPA Canada realized a net favourable variance from budget of \$1,741 (2019 - \$866) in connection with the continued development of the education and examination components of the CPA Certification Program and Preparatory Courses. The balance is presented in accounts payable and accrued liabilities [note 7].

12. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 impacts the future financial results of CPA Canada will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.