CHARTERED PROFESSIONAL ACCOUNTANTS OF CANADA

FINANCIAL STATEMENTS

MARCH 31, 2019

HILBORN LLP

Chartered Professional Accountants of 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

HILBORN LLP

Independent Auditor's Report

To the Members of Chartered Professional Accountants of Canada

Report on the Audit of the Financial Statements

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, 2019, 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, 2019, 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.

HILBORN LLP

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Hilborn LLP

Toronto, Ontario
June 19, 2019

Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

as at March 31

	2019 ($000's)	2018 ($000's)
ASSETS		
Current Assets		
Cash	**$11,191**	$14,500
Accounts receivable	**6,596**	6,810
Short-term investments [Note 3]	**6,700**	-
Investments [Note 4]	**883**	-
Inventories [Note 5]	**384**	356
Prepaid expenses	**1,848**	3,058
	27,602	24,724
Investments **[Note 4]**	**91,860**	74,930
Capital Assets **[Note 6]**		
Tangible assets	**6,144**	15,482
Intangible assets	**13**	75
	6,157	15,557
	98,017	90,487
	$125,619	$115,211
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities [Notes 7 & 11]	**$19,253**	$19,795
Deferred revenue	**16,223**	17,609
	35,476	37,404
Post-retirement Benefits **[Note 8]**	**31,992**	30,161
Deferred Lease Incentives **[Note 9]**	**2,548**	2,490
	34,540	32,651
	70,016	70,055
NET ASSETS		
Invested in capital assets	**3,735**	13,067
Unrestricted	**51,868**	32,089
	55,603	45,156
	$125,619	$115,211

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

	2019 ($000's)	2018 ($000's)
REVENUES		[Note 12]
Members' fees	**$69,500**	$65,396
Professional development, products and services	**27,001**	25,893
Certification education programs	**26,761**	24,519
Investment income [Note 10]	**3,946**	1,735
Pivot Magazine	**829**	1,265
International programs	**739**	663
	128,776	119,471
EXPENSES		
Certification education programs [Note 11]	**27,069**	25,240
Professional development, products and services [Note 5]	**25,395**	24,528
Finance and administration	**18,456**	17,686
Governance and international relations	**15,180**	13,534
Standards	**13,432**	12,136
Marketing, communications and public affairs	**10,398**	10,064
Research, guidance and support	**6,854**	7,184
Pivot Magazine	**2,627**	5,172
International programs	**2,269**	2,373
Financial literacy programs	**1,187**	1,206
	122,867	119,123
Excess of revenues over expenses before the following	**5,909**	348
Gain (loss) realized on sale of tangible assets [Note 6]	**6,400**	(77)
EXCESS OF REVENUES OVER EXPENSES	**$ 12,309**	$ 271

The accompanying notes are an integral part of these financial statements

Chartered Professional Accountants of Canada

Statement of Changes in Net Assets

for the year ended March 31

	Invested in Capital Assets	**Unrestricted**	**2019 ($000's)**	Invested in Capital Assets	Unrestricted	2018 ($000's)
Balance, beginning of year	**$13,067**	**$32,089**	**$45,156**	$7,636	$37,672	$45,308
Excess of revenues over expenses (expenses over revenues)	**(1,539)**	**13,848**	**12,309**	(2,191)	2,462	271
Repayment of mortgage	**-**	**-**	**-**	6,379	(6,379)	-
Purchase of tangible assets, net of tenant inducements	**1,315**	**(1,315)**	**-**	1,318	(1,318)	-
Disposal of tangible assets	**(9,108)**	**9,108**	**-**	(77)	77	-
Purchase of intangible assets	**-**	**-**	**-**	2	(2)	-
Defined benefit cost – remeasurements and other items	**-**	**(1,862)**	**(1,862)**	-	(423)	(423)
Balance, end of year	**$3,735**	**$51,868**	**$55,603**	$13,067	$32,089	$45,156

The accompanying notes are an integral part of these financial statements

Chartered Professional Accountants of Canada

Statement of Cash Flows

for the year ended March 31

	2019 ($000's)	2018 ($000's)
OPERATING ACTIVITIES		
Excess of revenues over expenses	**$ 12,309**	$ 271
Adjustments to determine net cash provided by (used in) operating activities:		
Amortization of tangible assets	**1,752**	2,206
Amortization of intangible assets	**62**	204
(Gain) loss on disposal of tangible assets	**(6,400)**	77
Interest capitalized on investments	**(603)**	(488)
Interest received on investments capitalized in prior years	**16**	443
Reinvested distributions from index pooled funds	**(1,603)**	(3,272)
Realized (gain) loss on sale of investments	**(17)**	371
Unrealized (appreciation) depreciation in fair value of index pooled funds	**(1,262)**	1,830
Required post-retirement benefits funding	**(1,345)**	(1,515)
Post-retirement benefits expense	**1,314**	1,330
Amortization of deferred lease incentives	**(278)**	(329)
	3,945	1,128
Change in non-cash working capital items		
Accounts receivable	**214**	503
Inventories	**(28)**	109
Prepaid expenses	**1,210**	(89)
Accounts payable and accrued liabilities	**(542)**	5,104
Deferred revenue	**(1,386)**	2,353
	3,413	9,108
INVESTING ACTIVITIES		
Purchase of short-term investments	**(18,893)**	-
Purchase of investments	**(28,760)**	(24,520)
Proceeds on sale of short-term investments	**12,193**	2,000
Proceeds on sale of investments	**14,416**	29,950
Purchase of tangible assets	**(1,522)**	(2,378)
Purchase of intangible assets	**-**	(2)
Proceeds on disposal of tangible assets	**15,508**	-
Receipt of lease incentives – tenant inducements	**336**	2,250
	(6,722)	7,300
FINANCING ACTIVITIES		
Repayment of mortgage	**-**	(6,379)
Net change in cash	**(3,309)**	10,029
Cash, beginning of year	**14,500**	4,471
Cash, end of year	**$11,191**	$14,500

The accompanying notes are an integral part of these financial statements

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.

(iv) *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.

(v) *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.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Revenue recognition *(continued)*
(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.

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 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.

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 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.

f) Financial instruments *(continued)*

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

Financial assets measured at fair value include cash and 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:

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Capital assets *(continued)*

(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.

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.

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.

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:

	Risks				
			Market risk		
Financial instruments	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.

for the year ended March 31, 2019 (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:

	2019	2018
Cash	**$11,191**	$14,500
Accounts receivable	**6,596**	6,810
Short-term investments	**6,700**	-
Investments – Guaranteed investment certificates	**24,153**	17,827
Investments – Canadian fixed income	**22,390**	13,915
Investments – index pooled funds: Canadian fixed income	**25,380**	23,660
	$96,410	$ 76,712

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 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, 2019, an allowance for doubtful accounts in the amount of $113 has been provided for (2018 - $73).

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, 2019, accounts receivable from the two largest accounts comprised 52% of the total accounts receivable (2018 - 64%).

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, 2019, the largest holding in guaranteed investment certificates with the same financial institution comprised 44% of total guaranteed investment certificate holdings (2018 - 47%).

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, 2019, the largest holding in Canadian fixed income investments with the same entity comprised 23% of total Canadian fixed income investment holdings (2018 - 26%).

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.

2. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

Liquidity risk *(continued)*

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, 2019 and 2018, 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.

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 fund 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.

for the year ended March 31, 2019 (All amounts in $ thousands)

2. FINANCIAL INSTRUMENT RISK MANAGEMENT *(continued)*

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 INVESTMENTS

Guaranteed investment certificates with effective interest rates ranging from 1.70% to 2.30% maturing no later than March 2020.

4. INVESTMENTS

		2019	2018
Measured at amortized cost			
Guaranteed investment certificates		**$ 24,153**	$17,827
Canadian fixed income		**22,390**	13,915
		46,543	31,742
Measured at fair value			
Index pooled funds	- Canadian fixed income	**25,380**	23,660
	- Canadian equities	**9,229**	8,694
	- Foreign equities	**11,591**	10,834
		46,200	43,188
		$92,743	$74,930
Current			
Guaranteed investment certificates		**$ -**	$-
Canadian fixed income		**883**	-
		883	-
Long term			
Guaranteed investment certificates		**24,153**	17,827
Canadian fixed income		**21,507**	13,915
Index pooled funds		**46,200**	43,188
		91,860	74,930
		$92,743	$74,930

The guaranteed investment certificates have effective interest rates ranging from 1.40% to 2.65% (2018 - 1.40% to 2.00%), with maturity dates ranging from April 2020 to March 2024 (2018 - April 2020 to June 2022).

The Canadian fixed income investments have effective interest rates ranging from 1.65% to 2.88% (2018 - 1.64% to 2.46%), with maturity dates ranging from December 2019 to June 2025 (2018 - January 2022 to June 2025).

The Canadian fixed income investments in the index pooled funds have effective interest rates ranging from 1.99% to 7.80% (2018 - 1.59% to 7.50%) and maturity dates ranging from April 2019 to November 2065 (2018 - 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 $661 (2018 - $1,325).

for the year ended March 31, 2019 (All amounts in $ thousands)

6. CAPITAL ASSETS

	Cost	**Accumulated amortization**	**2019 Net book value**	Cost	Accumulated amortization	2018 Net book value
Tangible assets						
Land	**$-**	**$ -**	**$-**	$3,661	$ -	$3,661
Building	**-**	**-**	**-**	8,543	3,246	5,297
Building improvements	**-**	**-**	**-**	2,007	1,641	366
Furniture and equipment	**10,993**	**8,277**	**2,716**	9,910	7,204	2,706
Leasehold improvements	**7,116**	**3,688**	**3,428**	7,481	4,029	3,452
	18,109	**11,965**	**6,144**	31,602	16,120	15,482
Intangible assets						
Computer application software	**5,315**	**5,302**	**13**	5,315	5,240	75
	$23,424	**$17,267**	**$6,157**	$36,917	$21,360	$15,557

During the current 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.

During the prior year, tangible assets, comprised of furniture and equipment and leasehold improvements, with a net book value of $77 (cost $574 and accumulated amortization $497) were disposed of for nil proceeds resulting in a loss of $77.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade payables and accrued liabilities	**$18,320**	$16,010
Provincial and territorial CPA organizations [Note 11]	**866**	3,267
Sales taxes	**67**	518
Payroll and withholding taxes	**-**	-
	$19,253	$19,795

8. POST-RETIREMENT BENEFITS

	2019	2018
Liability recognized in the statement of financial position:		
Pension plans	**$15,041**	$13,759
Other post-retirement benefits	**16,951**	16,402
	$31,992	$30,161

	2019	2018
Defined benefit costs recognized in the statement of operations:		
Pension plans	**$495**	$530
Other post-retirement benefits	**819**	800
	$1,314	$1,330

for the year ended March 31, 2019 (All amounts in $ thousands)

8. POST-RETIREMENT BENEFITS *(continued)*

	2019	2018
Defined benefit costs recognized in the statement of changes in net assets:		
Pension plans	**$1,429**	$(159)
Other post-retirement benefits	**433**	582
	$ 1,862	$ 423

Total cash payments for pension and other post-retirement benefits:		
Required minimum contributions to the funded pension plan under current pension regulations	**$76**	$329
Benefit payments directly to beneficiaries for the unfunded supplementary pension plan	**566**	598
Contributions to fund current costs of the other post-retirement benefits plan	**703**	588
	$1,345	$1,515

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.

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, 2019.

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. 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.

for the year ended March 31, 2019 (All amounts in $ thousands)

8. POST-RETIREMENT BENEFITS *(continued)*

a) Pension plans *(continued)*

	2019			2018		
	Registered plan	**Supplementary plan**	**Total**	Registered plan	Supplementary plan	Total
(i) *Funded status of plans*						
Plan assets at fair value	**$59,415**	**$ -**	**$59,415**	$58,809	$ -	$58,809
Defined benefit obligations	**(65,451)**	**(9,005)**	**(74,456)**	(63,599)	(8,969)	(72,568)
Defined benefit liability	**$(6,036)**	**$ (9,005)**	**$(15,041)**	$(4,790)	$ (8,969)	$(13,759)
(ii) *Plan assets at fair value*						
Balance, beginning of year	**$58,809**	**$ -**	**$58,809**	$58,110	$ -	$58,110
Actual return on plan assets	**3,240**	**-**	**3,240**	3,423	-	3,423
Employer's contributions	**76**	**566**	**642**	329	598	927
Employees' contributions	**-**	**-**	**-**	-	-	-
Benefits paid	**(2,710)**	**(566)**	**(3,276)**	(3,053)	(598)	(3,651)
Balance, end of year	**$59,415**	**$ -**	**$59,415**	$58,809	$ -	$58,809
Plan assets consist of:						
Equity securities	**60.1%**	**-**	**60.1%**	60.2%	-	60.2%
Debt securities	**39.9%**	**-**	**39.9%**	39.8%	-	39.8%
	100.0%	**-**	**100.0%**	100.0%	-	100.0%
(iii) *Defined benefit obligations*						
Balance, beginning of year	**$(63,599)**	**$(8,969)**	**$(72,568)**	$(63,324)	$(9,101)	$(72,425)
Current service cost	**-**	**-**	**-**	-	-	-
Interest cost on defined benefit obligations	**(2,290)**	**(323)**	**(2,613)**	(2,344)	(337)	(2,681)
Employees' contributions	**-**	**-**	**-**	-	-	-
Benefits paid	**2,710**	**566**	**3,276**	3,053	598	3,651
Actuarial loss	**(2,272)**	**(279)**	**(2,551)**	(984)	(129)	(1,113)
Balance, end of year	**$(65,451)**	**$(9,005)**	**$(74,456)**	$(63,599)	$(8,969)	$(72,568)
(iv) *Components of defined benefit cost*						
Current service cost	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Finance cost	**172**	**323**	**495**	193	337	530
Defined benefit costs recognized in the statement of operations	**172**	**323**	**495**	193	337	530
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	**(1,122)**	**-**	**(1,122)**	(1,272)	-	(1,272)
• actuarial loss	**2,272**	**279**	**2,551**	984	129	1,113
Defined benefit costs recognized in the statement of changes in net assets	**1,150**	**279**	**1,429**	(288)	129	(159)
Defined benefit cost (credit)	**$1,322**	**$602**	**$1,924**	$(95)	$466	$371

for the year ended March 31, 2019 (All amounts in $ thousands)

8. POST-RETIREMENT BENEFITS *(continued)*

a) Pension plans *(continued)*

(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:

	2019		2018	
	Defined benefit obligations	**Defined benefit costs**	Defined benefit obligations	Defined benefit costs
Discount rate	**3.30%**	**3.60%**	3.60%	3.70%
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 2019 were $2,546 (2018 - $2,415).

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, 2019.

	2019	2018
(i) *Funded status of plans*		
Plan assets at fair value	**$ -**	$ -
Defined benefit obligations	**(16,951)**	(16,402)
Defined benefit liability	**$(16,951)**	$(16,402)
(ii) *Plan assets at fair value*		
Balance, beginning of year	**$ -**	$ -
Employer's contributions	**703**	588
Benefits paid	**(703)**	(588)
Balance, end of year	**$ -**	$ -
(iii) *Defined benefit obligations*		
Balance, beginning of year	**$(16,402)**	$(15,608)
Current service cost	**(229)**	(207)
Interest cost on defined benefit obligations	**(590)**	(593)
Benefits paid	**703**	588
Actuarial loss	**(433)**	(582)
Balance, end of year	**$(16,951)**	$(16,402)

for the year ended March 31, 2019 (All amounts in $ thousands)

8. POST-RETIREMENT BENEFITS *(continued)*

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

	2019	2018
(iv) *Components of defined benefit costs*		
Current service cost	**$229**	$207
Finance cost	**590**	593
Defined benefit costs recognized in the statement of operations	**819**	800
Remeasurements and other items		
• actuarial loss	**433**	582
Defined benefit costs recognized in the statement of changes in net assets	**433**	582
Defined benefit cost	**$1,252**	$1,382

(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:

	2019		2018	
	Defined benefit obligations	**Defined benefit costs**	Defined benefit obligations	Defined benefit costs
Discount rate	**3.40%**	**3.60%**	3.60%	3.80%
Health care inflation – select	**5.27%**	**5.62%**	5.62%	5.72%
Health care inflation – ultimate	**4.00%**	**4.50%**	4.50%	4.50%
Year ultimate rate reached	**2040**	**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:

	2019	2018
Funded plan:		
Plan assets at fair value	**$59,415**	$58,809
Defined benefit obligations	**(65,451)**	(63,599)
	(6,036)	(4,790)
Unfunded plans:		
Defined benefit obligations - pension plan	**(9,005)**	(8,969)
- other post-retirement benefits	**(16,951)**	(16,402)
	(25,956)	(25,371)
Post-retirement benefits liability recognized in the statement of financial position	**$(31,992)**	$(30,161)

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.

for the year ended March 31, 2019 (All amounts in $ thousands)

8. POST-RETIREMENT BENEFITS *(continued)*

c) Financial risks *(continued)*

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 index pooled funds is also affected by changes in interest rates.

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:

2020	$4,336
2021	4,381
2022	4,088
2023	4,257
2024	4,413
Subsequent years	15,147
	$36,622

b) Deferred lease incentives

	2019			2018		
	Tenant inducements	**Reduced rent benefits**	**Total**	Tenant inducements	Reduced rent benefits	Total
Balance, beginning of year	**$2,490**	**$-**	**$2,490**	$1,649	$110	$1,759
Additions during the year	**207**	**129**	**336**	1,060	-	1,060
Amortization	**(275)**	**(3)**	**(278)**	(219)	(110)	(329)
Balance, end of year	**$2,422**	**$126**	**$2,548**	$2,490	$-	$2,490

In fiscal 2019, CPA Canada entered into a lease agreement for its new Ottawa office premises. Pursuant to the new 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. 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 in fiscal 2018, and reduced rent benefits of $129 in fiscal 2019.

Pursuant to lease amending agreements for its Toronto office premises, CPA Canada recognized $1,190 as a long-term account 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.

for the year ended March 31, 2019 (All amounts in $ thousands)

9. COMMITMENTS *(continued)*

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 annual cost of $2,150.

10. INVESTMENT INCOME

	2019	2018
Investments measured at amortized cost		
Interest from short-term investments	**$125**	$7
Interest from guaranteed investment certificates	**325**	143
Interest from fixed income investments	**354**	415
Realized loss on sale of investments	**(131)**	(475)
	673	90
Investments measured at fair value		
Interest from cash	**$260**	$99
Distributions from index pooled funds	**1,603**	3,272
Unrealized appreciation (depreciation) in fair value of index pooled funds	**1,262**	(1,830)
Realized gain on sale of investments	**148**	104
	3,273	1,645
	$3,946	$1,735

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, 2019, CPA Canada realized a net favourable variance from budget of $866 (2018 - $3,267) 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].

for the year ended March 31, 2019 (All amounts in $ thousands)

12. 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:

	2018
REVENUES	
Members' fees	$65,396
Certification education programs	24,519
Professional learning and development	15,897
Publications, products and services	9,996
Investment income	1,735
CPA Magazine	1,265
International programs	663
	119,471
EXPENSES	
Certification education programs	25,240
Finance and administration	17,728
Professional learning and development	15,270
Governance and international relations	13,464
Standards	12,136
Marketing, communications and public affairs	10,064
Publications, products and services	9,258
Research, guidance and support	7,184
CPA Magazine	5,172
International programs	2,373
Corporate citizenship	1,311
	119,200
EXCESS OF REVENUES OVER EXPENSES	$271

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

LISTENERS. THINKERS. DOERS.

401 Bay Street · Suite 3100 · P.O. Box 49 · Toronto · ON · CA · M5H 2Y4 · P416-364-1359 · F416-364-9503 · hilbornca.com