



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
CANADA

# ADAPTATION IN ACTION

Annual report | 2019-2020



# Adaptation in action

Annual report | 2019-2020

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# Letter from the president and CEO



Joy Thomas, FCPA, FCMA

We are living in a world where nothing is certain. Global pandemics, emerging technologies, climate change and data-driven economies are disrupting business and the accounting profession. Through it all, we are experiencing an unprecedented shift where investors and the public support organizations that look beyond profitability and shareholder returns to create value for stakeholders, communities and the environment.


To meet those changing demands, there is an increasing reliance on technology and big data. Professional accountants are guiding organizations in the identification of new forms of value by leveraging the explosion of data at their disposal.

By adopting a future-forward outlook across our strategic priorities, CPA Canada is working with our members to embrace the opportunities and to deal head-on with the challenges presented by the digital information age. Over the past year, advances were achieved in priority areas for our organization: *Foresight: Reimagining the Profession*, an ambitious consultation effort to define our future; audit and assurance; tax; and sustainability. We also provided timely guidance and thought leadership on a broad spectrum of important business and social issues and policies. See the key accomplishments section for some of our highlights.

We are confident that the actions being taken today will drive long-term value and sustainability for the Canadian CPA profession.

## Our commitment to continuous improvement


The past fiscal year was one of disruption. The profession faced unforeseen technical challenges during the September 2019 Common Final Examination (CFE), and much like the rest of the world, we found ourselves navigating uncharted territory amidst the novel coronavirus (COVID-19) pandemic.




Subsequent to the end of the fiscal year, CPA Canada detected a cyber-attack against the organization's website.

In an ever-changing global environment, business will repeatedly face a variety of challenges. Regardless of the circumstances, CPA Canada is committed to continuously adapting and fostering an organization-wide culture of learning, improving, resilience and agility.

Regarding the September 2019 CFE, I'd like to start by acknowledging the perseverance of our students. Regrettably, many writers experienced disruptions over the three-day exam period and I know personally that this



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caused considerable angst for them. A combination of factors, including exam software and Wi-Fi connectivity issues, resulted in delays for writers and difficulties in uploading their exams.

For CPA Canada and the profession, the main priority was to ensure a fair and equitable outcome for all candidates while also maintaining the integrity of the exam process. I wish to take this time to recognize the dedication and diligence displayed by the Board of Examiners throughout the marking process. The profession retained Borden Ladner Gervais LLP, which engaged a third-party expert to provide an independent review of the marking process. As a result of all of this work, the profession has every confidence in the reliability of the results and that all passing candidates have met the same entry requirements for the CPA profession as in previous exam sittings.

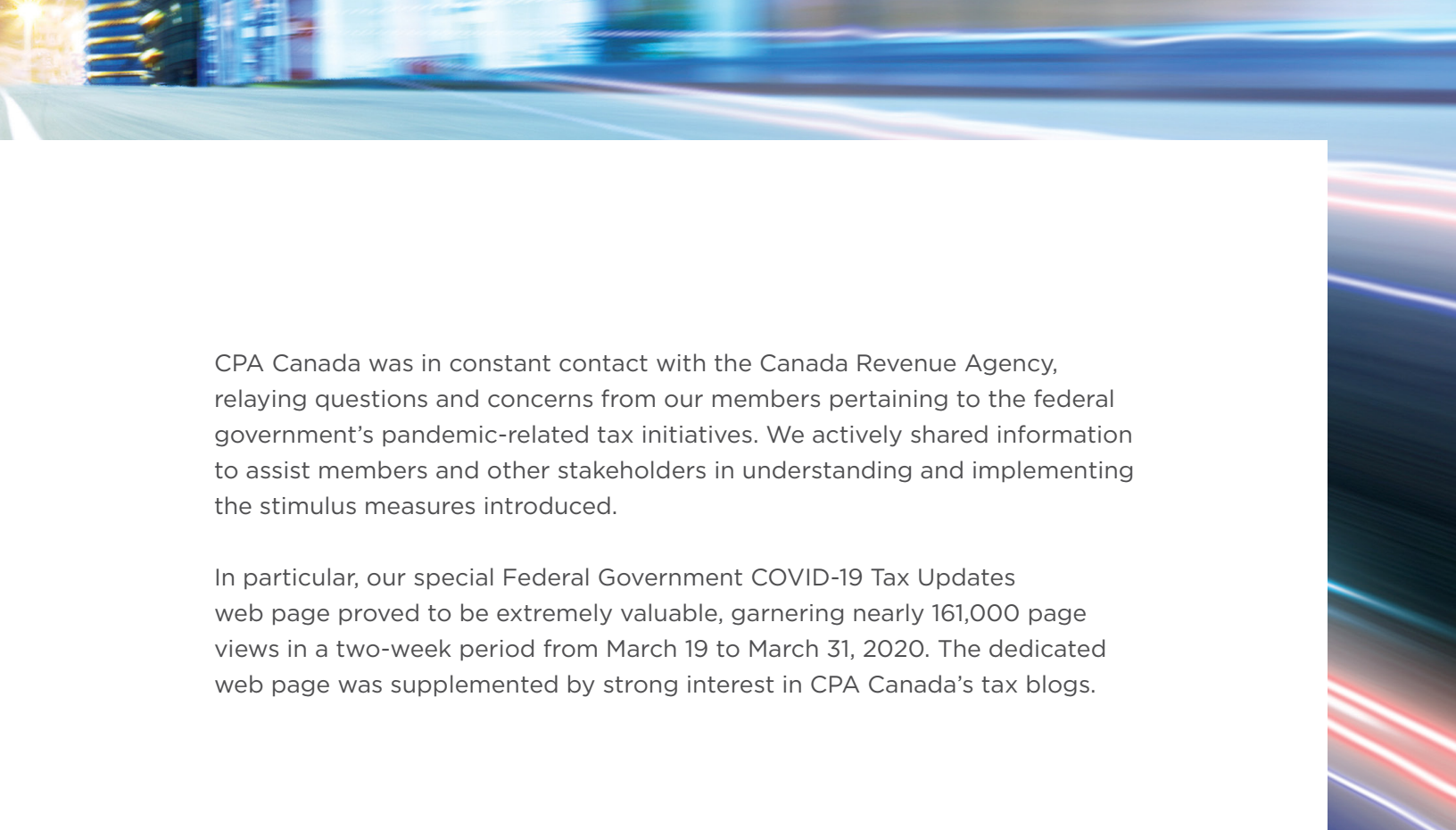
The September 2019 CFE and the unrelated cyber-attack reinforce a key aspect of sustainability — responding to evolving and challenging situations with a focus on both short-term and long-term needs. In a rapidly changing business world, we simply cannot be paralyzed by technological setbacks. We have learned from the disruptions we experienced and have adjusted our processes to mitigate the risk of similar occurrences in the future.

### **Offering support during unprecedented times**

CPA Canada's approach to the fallout from COVID-19 remained constant: prioritizing the safety and well-being of our employees, members and stakeholders, while providing ready access to timely and relevant information.

Heeding the advice of government authorities and health officials, CPA Canada moved to remote working arrangements across all four offices (Toronto, Ottawa, Montreal and Burnaby). Our dedicated employees transitioned immediately to a virtual world to allow the organization to maintain full operations as best it could.

We recognized this was also a time of great anxiety for our members. Many were deeply involved in assessing the economic consequences arising from COVID-19 and were providing strategic guidance to their clients, organizations and communities.




CPA Canada was in constant contact with the Canada Revenue Agency, relaying questions and concerns from our members pertaining to the federal government's pandemic-related tax initiatives. We actively shared information to assist members and other stakeholders in understanding and implementing the stimulus measures introduced.

In particular, our special Federal Government COVID-19 Tax Updates web page proved to be extremely valuable, garnering nearly 161,000 page views in a two-week period from March 19 to March 31, 2020. The dedicated web page was supplemented by strong interest in CPA Canada's tax blogs.



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page views on the Federal  
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Our support for members and the business community did not end there. The COVID-19 section on our website was continually updated by cross-functional teams to deliver just-in-time information on audit and business continuity practices and other relevant topics during this stressful period. The special content included links to CPA Canada guidance and research, external sites and online news stories produced by our organization.

### Working in the public interest

What did emerge from this challenging year was the significant role CPA Canada played in bringing important issues to the forefront of public awareness.

Despite the added complexity of an election year, there were noteworthy reputational successes for the profession in the public policy sphere. Canada's minority government was sworn into office in the fall of 2019 and our voice remained one of influence — particularly around two substantial government priorities: anti-money laundering and tax.

As a knowledgeable source on anti-money laundering, CPA Canada is actively engaged with the federal government and international bodies, such as the International Federation of Accountants, in contributing to more robust anti-money-laundering regimes. To support increased corporate transparency, we worked closely with the provincial and territorial CPA bodies to develop the profession's response to government consultations on beneficial ownership. Additionally, CPA Canada facilitated government-hosted webinars for members to learn about new information requirements pertaining to beneficial ownership filings, which came into effect in June 2019 following amendments to the *Canada Business Corporations Act*. Through frequent and wide-ranging communications — from blogs and discussion papers, to *Pivot* and online articles — we kept members abreast of important developments in this space.

For some time, CPA Canada has been a leading advocate in the call for a comprehensive review of Canada's tax system — making much-needed improvements to tax policy and administration a top-of-mind issue. Our actions contributed to a groundswell of business and public support for such an assessment. We knew our message was heard when the Senate and the House of Commons Finance Committees echoed the need for a tax review, and the issue was raised by one political party as part of its federal election campaign.







## Looking forward

In times of constant change, it is vital for CPA Canada to focus on the immediate issues facing its members, while also taking an active role in shaping the future of our profession. To accomplish this, we are using the analogy of “two highways.”

**Highway one** is where we provide value by supporting our members in what they do today. This work focuses on providing thought leadership, products and services in core areas such as audit and assurance, tax and sustainability.



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**Highway two** runs in parallel and is forward-looking, focusing on defining a future that envisions new opportunities for the profession as we move into a digital information age. This is captured by the initiative spearheaded by CPA Canada called *Foresight: Reimagining the Profession*. Phase Two, which commenced this fiscal year, addressed data governance and value creation.

The *Foresight* initiative initially saw four future-focused scenarios developed to help guide discussions. Of note is one called Phoenix Rising. In this scenario, devastating events — such as climate disasters, pandemics and financial disruptions — occur in the early 2020s, leaving no one untouched. While not meant to be a crystal ball exercise, much of how we described that scenario is in play today.

While we cannot predict exactly what the future holds, we recognize that our journey forward will be heavily influenced by the operating landscape left by COVID-19. We have implemented precautionary measures to ensure we are managing our business not just for today, but also over the coming months, anticipating how the pandemic will continue to impact the economy and our profession.

The core attributes of the CPA profession — trust, integrity, professional competency and ethics — continue to earn CPAs global recognition and respect. Today, the CPA certification program is being geared to address emerging roles for professional accountants.

When we confront obstacles such as those presented over the past fiscal year, it is a reminder that the accounting profession is dynamic. CPA Canada will continue to adapt, improve and evolve in the face of uncertainty.

Shortly before the publication of this annual report, it was announced that I would be stepping down. I want to say thank you for the privilege of representing the profession both nationally and internationally in what has been four gratifying years leading this organization. CPA Canada's future is in good hands with Charles-Antoine St-Jean, my successor, who brings with him a broad range of knowledge and skills to successfully guide the organization through these unprecedented times.

# Letter from the chair of the board




Amanda Whitewood, FCPA, FCMA

In times marked by change and disruption, true leadership comes to the forefront. This past year, unforeseen challenges were encountered by the profession — the disruptions associated with the September 2019 Common Final Examination (CFE), the economic fallout from the novel coronavirus (COVID-19) pandemic and a cyber-attack detected early in the new fiscal year. In each case, the CPA Canada Board of Directors leveraged its collective knowledge and experience to offer valuable insights and guidance so the issues faced could be navigated.

## The role of the board

The CPA Canada Board of Directors provides oversight of the strategic direction of the organization. The board also oversees the profession's work on strategic planning, public trust and ethics, education and qualification, and brand and reputation management. Under the leadership of the chair, the board offers guidance on important issues and helps shape the future of the profession. With a focus on sustainability, the board integrated long-term economic growth and social development into its strategic priorities.

The board also provides a similar function in guiding the Canadian accounting profession, working closely with the profession's provincial, territorial and Bermudian bodies as set out in the Collaboration Accord — an agreement signed by CPA Canada and the 13 CPA bodies at unification.



We value the support of those bodies as well as the Council of Chief Executives (CCE) and the Council of Chairs (COC). It has been a privilege to chair the COC and to work alongside this dedicated group to manage core elements of the profession. I would like to extend sincere thanks to the CCE, the COC and each of the CPA bodies for their sound governance and contributions to our profession.

### **A year of challenge and change**

On behalf of the board, I also want to acknowledge the entire CPA Canada team for its dedication to supporting the profession during these trying times. Likewise, I must acknowledge the resilience demonstrated by my fellow board members in their roles as stewards of sound governance for the profession.

The ongoing challenges required the board to pivot and adopt new and innovative ways of governing, especially given the need to repeatedly and quickly come together (both physically and virtually). Immediate and decisive guidance was often required as matters were analyzed and addressed in a timely fashion. Because of the board's unwavering commitment to its oversight role, we found ways to encourage, motivate and inform each other, ultimately resulting in effective governance.

While the profession addressed the immediate concerns that arose this past fiscal year, it also focused on governance over the longer term. In fact, governance of the profession is under review and may require some adaptation with regard to how the national, provincial and territorial bodies work together. The goal is to keep the profession relevant and influential, both domestically and globally. The process is part of a five-year review built into the terms of the Collaboration Accord. As can be expected, the obstacles faced by the profession in 2019-20 have impeded the review process.

While we do not know exactly what the review will recommend, we can assure you that all parties to the Accord believe that a strong, collaborative partnership is critical to the profession's success.



## Strategic oversight

The board fully understands the work required to manage the impacts of the CFE disruptions, the cyber-attack, and the uncertainty surrounding the economic fallout of the pandemic. We appreciate the tremendous effort that CPA Canada employees invested in reaching the outcomes achieved and how the business planning process was greatly affected. As a result, the board took the non-traditional step of extending the time to complete the 2020-21 business plan and budget into the new fiscal year, recognizing these are truly unprecedented times.

Actions such as this reinforce the board's steadfast commitment to support the staff and management of CPA Canada. Through this mutual respect and collaboration, the board is able to oversee the organization's strategic direction and ultimately strengthen public trust in the profession going forward.

## Looking ahead

I am deeply honoured to have been appointed chair, alongside our new vice-chair, Richard Olfert, this past year. The two of us, in conjunction with our fellow board directors, look forward to playing an active role in helping CPA Canada and the profession adapt and thrive in a world that is increasingly complex and unpredictable.

One of the most rewarding aspects of serving on the board has always been the opportunity to meet fellow CPAs from across the country. It was extremely disappointing that in-person gatherings for events like conferences and convocations were not possible because of physical distancing requirements.

It is these gatherings that allow us to hear first-hand from a broad range of individuals about the challenges and opportunities facing the profession.

Although our journey forward will certainly yield unforeseeable circumstances, this past year has taught us all one thing: CPA Canada and the profession are well-positioned to successfully tackle the threats of tomorrow and to take advantage of emerging opportunities.

# Key accomplishments

## Creating value for members

- Our most popular thought leadership publications addressed applying Canadian auditing standards in the crypto-asset sector, enhancing climate-related financial disclosures and bridging the global infrastructure gap.
- Leveraged technology to enhance member experiences: **The ONE National Conference** offered simultaneous translation through the conference app and hosted its first remote guest speaker. In addition, the **Public Sector Conference** achieved record-breaking attendance and was livestreamed.



## Support for standard setting

- Canada's financial reporting and assurance standards boards — the Accounting Standards Board (AcSB), the Public Sector Accounting Board (PSAB) and the Auditing and Assurance Standards Board (AASB) — each achieved their 2019-20 annual plans. Read about the boards' activities via their annual reports on [FRASCanada.ca](http://FRASCanada.ca).



## Reimagining the future

- Launched a new digital engagement platform as part of Phase Two of our strategic initiative, **Foresight: Reimagining the Profession**. These findings will influence our research and delivery of products in two workstreams: data governance and value creation.

## Our commitment to excellence

- Continued to work toward gold-level certification in the *Excellence, Innovation and Wellness® (EIW)* standard.



## Building a stronger accounting profession worldwide

- Hosted meetings of the Global Accounting Alliance, the International Federation of Accountants and the Confederation of Asian and Pacific Accountants in Vancouver. The North American Summit featuring CPA Canada and accounting bodies from the U.S. and Mexico was held in Toronto.
- Members of CPA Canada's executive leadership team presented on the future of the profession at international events in South Africa and India.



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Clean50  
TOP PROJECTS  
MANAGEMENT  
EMERGING LEADERS



4

- CPA Canada board member Fahd Bouayed welcomes CPAs to The ONE National Conference in Montreal.
- The Public Sector Conference brought together 900+ senior public sector leaders from across Canada.
- CPA Canada hosted IFAC's 2019 meetings in Vancouver.
- Gord Beal receives his Clean50 award.

## Focusing on sustainability

- CPA Canada was one of 14 accounting bodies that signed the global call to action to address climate change. These bodies represent 2.5 million accountants across 181 countries, including 217,000 Canadian CPAs.
- Promoted adoption of the recommendations presented by the Expert Panel on Sustainable Finance, including in our pre-budget submission to the House of Commons Finance Committee. This recommendation was reflected in the Committee's final report to government.
- Gord Beal, vice-president, Research, Guidance and Support, was named to the prestigious Clean50, an initiative recognizing outstanding contributions in sustainability/clean capitalism in Canada.

# Operating environment

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

## Risks to CPA Canada's strategy

### Managing risk

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

### Risk management approach

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

- establishes the roles and responsibilities of the CPA Canada Board of Directors, Audit Committee and Management Committee
- specifies the organization's tolerance for risk
- outlines the process for identifying, assessing and categorizing the organization's risks
- ensures a uniform approach to risk mitigation, management and reporting
- incorporates numerous approaches to managing risk, including avoidance, mitigation, transferal, insurance and acceptance
- encourages a risk-aware culture, with risk management integrated into CPA Canada's strategic and operational decision-making
- outlines how key risks, opportunities and impacts are determined
- facilitates the understanding, discussion, evaluation and management of risks at all levels



## Risk governance

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

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

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

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

The CPA Canada Management Committee is composed of the president and CEO, senior vice-presidents, and the vice-presidents of each core business group and support function. It provides leadership in the development and implementation of an effective ERM framework for the organization. The committee's responsibilities include developing and communicating the organization's risk management policy and risk tolerance profile, identifying and assessing risks, and developing and assigning responsibility for risk mitigation strategies and actions, as appropriate.



## **Risk assessment**


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

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

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



## **Key risks**

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

CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p><b>PUBLIC TRUST &amp; ACCOUNTABILITY</b></p> 	<p>Inability to inspire confidence and trust in the profession among the public and our stakeholders</p>	<ul style="list-style-type: none"> <li>• Support a robust and independent standard-setting process in Canada and internationally.</li> <li>• Lead efforts in the area of tax best practices and other public policy issues that benefit Canadians.</li> <li>• Act as a leading advocate for financial literacy for Canadians through our financial literacy program, publications and resources.</li> <li>• Intervene as required in legal cases where public interest may be at risk.</li> </ul>
<p><b>BRAND AND REPUTATION</b></p> 	<p>Failure to raise awareness and engagement with the CPA brand</p>	<ul style="list-style-type: none"> <li>• Maintain our profession-wide issues-management process with provincial, territorial and Bermudian (regional) partners to safeguard the reputation of the profession and preserve a strong brand.</li> <li>• Engage members and raise awareness of the value and purpose of the Canadian CPA through multiple channels and approaches in Canada and internationally.</li> <li>• Conduct research on the effectiveness of the CPA brand strategy.</li> <li>• Continue building and enhancing relationships with key stakeholders, including the federal government and other national bodies.</li> </ul>



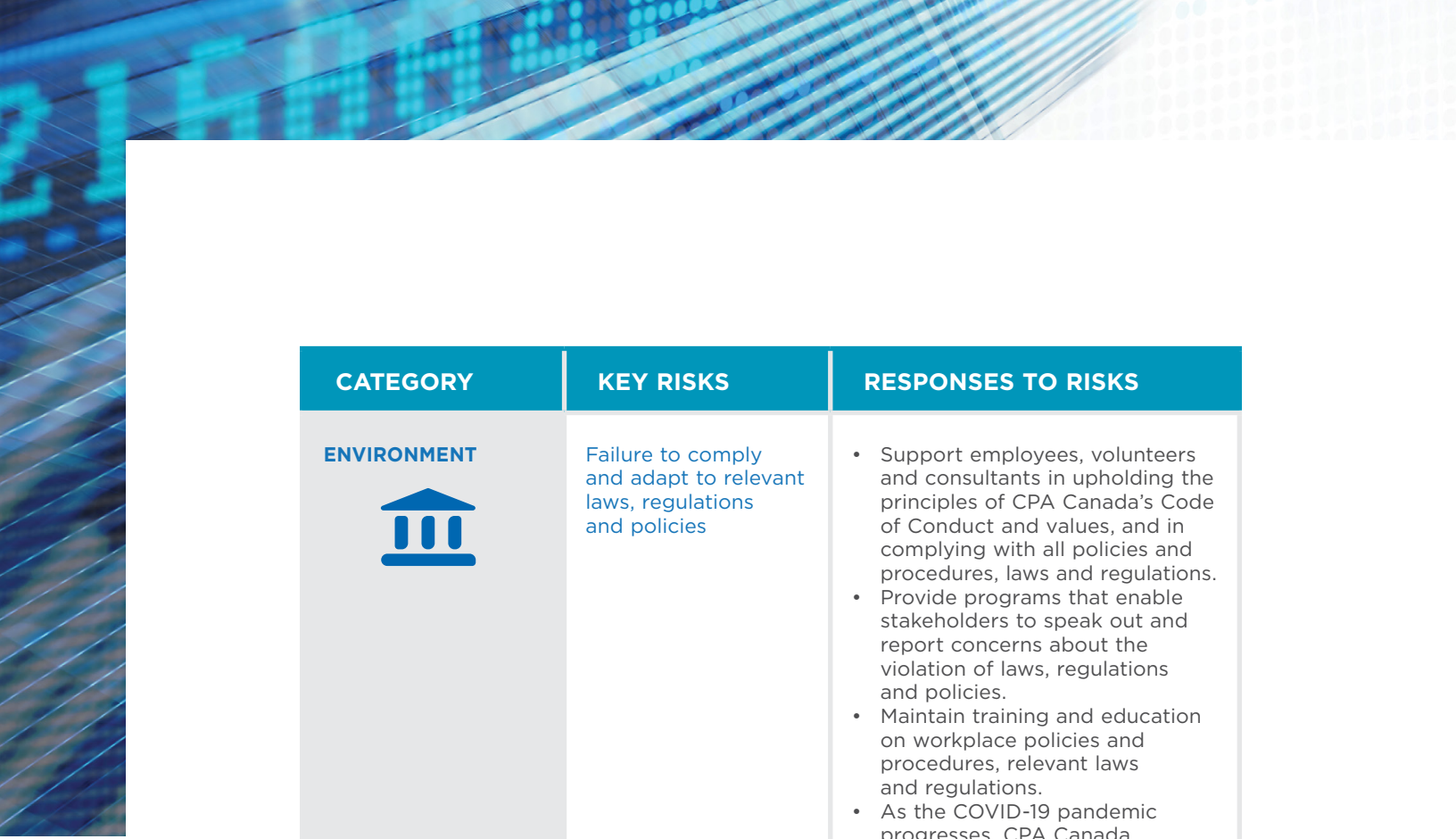
CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p data-bbox="358 491 542 514"><b>MEMBER VALUE</b></p> 	<p data-bbox="651 491 894 625">Failure to be an effective and relevant voice for the profession nationally and internationally</p>	<ul data-bbox="948 491 1360 1392" style="list-style-type: none"> <li>• Ensure CPA Canada's strategy is aligned with the CPA regional partners through the core elements of the profession and the needs of its members and other stakeholders.</li> <li>• Conduct ongoing consultations with stakeholders in domestic and international markets to monitor changes in needs, expectations and priorities, including the <i>Foresight: Reimagining the Profession</i> initiative and a new stakeholder engagement platform to solicit feedback on <i>Foresight</i> research.</li> <li>• Conduct research to gauge the needs and satisfaction of members and other stakeholders.</li> <li>• Support standard setting and contribute to the development of global standards to better reflect the Canadian perspective. Publish timely and relevant guidance and other support materials.</li> <li>• Consult with the federal government and other key stakeholders on issues important to the profession.</li> <li>• Proactively promote the value of the Canadian CPA and the profession within Canada and internationally.</li> </ul>


CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p><b>STANDARD-SETTING SUPPORT</b></p> 	<p>Failure of the accounting profession to be a driving force in the future of financial reporting and enhancing the value of audit and assurance</p>	<ul style="list-style-type: none"> <li>• Continue support for a high-quality, effective standard-setting process in Canada and internationally through strong expert staff and engaged volunteers.</li> <li>• Enhance audit quality through multiple initiatives, including collaborative efforts with members, regulators and those charged with governance.</li> <li>• Place high-calibre Canadians on international standard-setting bodies.</li> <li>• Ensure the availability of guidance and other resources for effective implementation of standards.</li> <li>• Provide leadership in the evolution of external reporting and audit on a broad range of contemporary topics and issues.</li> <li>• Engage all stakeholders in dialogue on the future of financial reporting and audit.</li> </ul>
<p><b>CPA PROFESSION GOVERNANCE</b></p> 	<p>Failure to collaborate and align effectively with our CPA regional partners</p>	<ul style="list-style-type: none"> <li>• Guided by the profession's Collaboration Accord, CPA Canada works together with CPA regional partners on common elements of the Canadian accounting profession to ensure sustainability.</li> <li>• A review of the Collaboration Accord and the governance of the Canadian accounting profession is underway.</li> </ul>



CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p><b>EDUCATION</b></p> 	<p>Failure of our certification education programs to be sustainable and relevant in the Canadian marketplace</p>	<ul style="list-style-type: none"> <li>• Proactively seek stakeholder input to inform current and future CPA competency requirements while ensuring that the content and delivery of CPA certification education programs remain relevant, inclusive and attractive in the marketplace.</li> <li>• Technology is playing a vital and growing role in the delivery of education and assessments, and with that comes greater risk. New strategies are in place to manage and leverage the exam technology and help lead to future improvements.</li> </ul>
<p><b>PEOPLE AND CULTURE</b></p> 	<p>Inability to attract and retain a diverse and highly qualified staff</p>	<ul style="list-style-type: none"> <li>• Continue to invest in the wellbeing of our people through good communication, progressive policies and practices, wellness programs and culture initiatives. Develop our people and strong leaders through the implementation of Excellence Canada's <i>Excellence, Innovation and Wellness</i>® (EIW) standard, focusing on planning, leadership, process improvement, innovation, customers and wellness.</li> <li>• In the event of a crisis or emergency (such as the COVID-19 pandemic), CPA Canada has a plan in place to ensure continuity in leadership and employs a team approach to help manage decision-making and assign accountabilities during such an event.</li> </ul>

CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p><b>DATA &amp; SYSTEMS</b></p> 	<p>Inability to optimize technology or to safeguard systems and data</p>	<ul style="list-style-type: none"> <li>• Continuously evaluate and enhance CPA Canada's cybersecurity protocols and raise awareness among employees to guard against increasingly sophisticated cyber-attacks.</li> <li>• Implement new technologies to support the organization's evolving needs and priorities.</li> <li>• Continue the current Digital Optimization Program to enhance the member experience and drive financial sustainability.</li> <li>• Maintain business continuity plans.</li> </ul>
<p><b>ORGANIZATIONAL SUSTAINABILITY</b></p> 	<p>Failure to adapt and evolve our business model to thrive and compete effectively</p>	<ul style="list-style-type: none"> <li>• Support CPA Canada's strategic plan with a strong accountability framework, effective reporting and metrics that drive performance.</li> <li>• Perform environmental scans regularly to inform CPA Canada's strategic plan and to adapt accordingly.</li> <li>• Ensure effective oversight and robust controls are in place to support the organization.</li> <li>• Continue to forge strong strategic partnerships and to collaborate with international accounting bodies.</li> <li>• Actively manage and protect trademarks, intellectual property and other strategic assets.</li> <li>• The COVID-19 pandemic has created significant uncertainty and with it far-reaching economic and financial challenges across the globe. CPA Canada is not immune to these challenges and has taken actions to mitigate the potential disruptions to cash flow, revenue streams and delivery of critical services from key suppliers.</li> </ul>



CATEGORY	KEY RISKS	RESPONSES TO RISKS
<p data-bbox="358 493 532 520"><b>ENVIRONMENT</b></p> 	<p data-bbox="651 493 899 600">Failure to comply and adapt to relevant laws, regulations and policies</p>	<ul data-bbox="948 493 1360 1182" style="list-style-type: none"><li>• Support employees, volunteers and consultants in upholding the principles of CPA Canada's Code of Conduct and values, and in complying with all policies and procedures, laws and regulations.</li><li>• Provide programs that enable stakeholders to speak out and report concerns about the violation of laws, regulations and policies.</li><li>• Maintain training and education on workplace policies and procedures, relevant laws and regulations.</li><li>• As the COVID-19 pandemic progresses, CPA Canada continues to rely on guidance from governments and public health organizations regarding measures that directly affect our organization and our members. A number of measures have been taken to reduce the potential disruption to our operations.</li></ul>



## Capability to deliver results

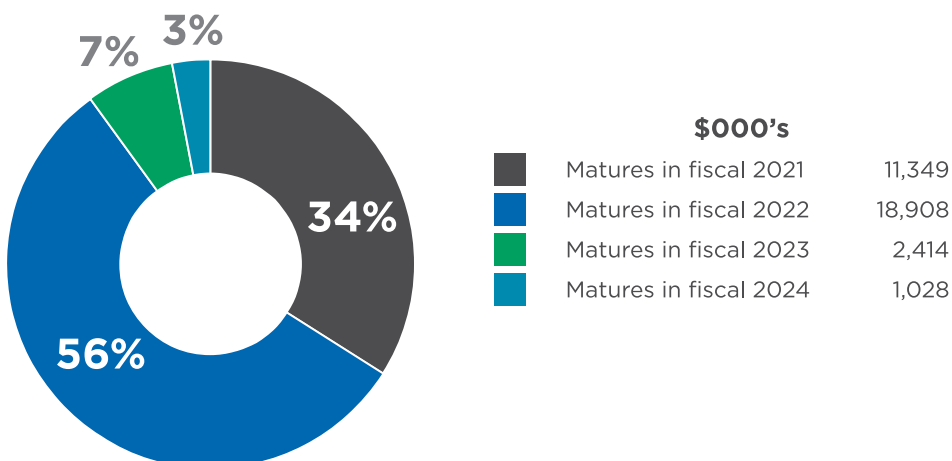
### Capital resources and liquidity

CPA Canada's cash position was \$23.6 million at March 31, 2020, an increase of \$12.4 million from the \$11.2 million cash position in the prior year. Operating activities utilized \$4.6 million of cash, while investing activities generated positive cash flow of \$17.0 million, primarily from the proceeds received from the sale and maturity of investments, offset by purchases of investments and tangible assets. Cash at year-end is held on deposit with major Canadian financial institutions in interest-bearing accounts.

CPA Canada's short-term investments of \$8.1 million consist of guaranteed investment certificates with effective interest rates ranging from 1.65% to 2.25%, maturing between April and July 2020.

CPA Canada's investments of \$71.3 million are comprised of guaranteed investment certificates, Canadian fixed income investments and index pooled funds. The guaranteed investment certificates have effective interest rates ranging from 1.40% to 2.65% with maturity dates ranging from April 2020 to March 2024. The Canadian fixed income investment has an effective interest rate of 2.00%, maturing in June 2021. The Canadian fixed income investments in the index pooled funds have effective interest rates ranging from 0.44% to 9.96% with maturity dates ranging from October 2020 to November 2065.

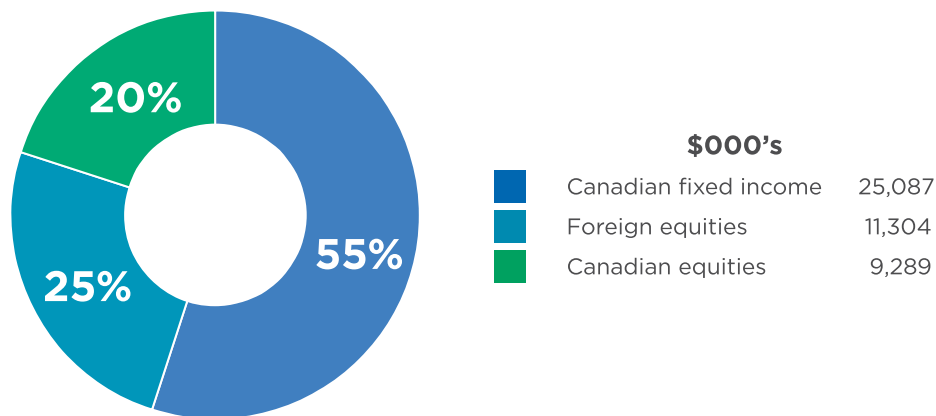
### Fixed Income Investments at Amortized Cost



CPA Canada's management increased cash holdings and short-term investments to ensure continued operation in case the COVID-19 pandemic has any unfavourable impacts on CPA Canada in the coming year.

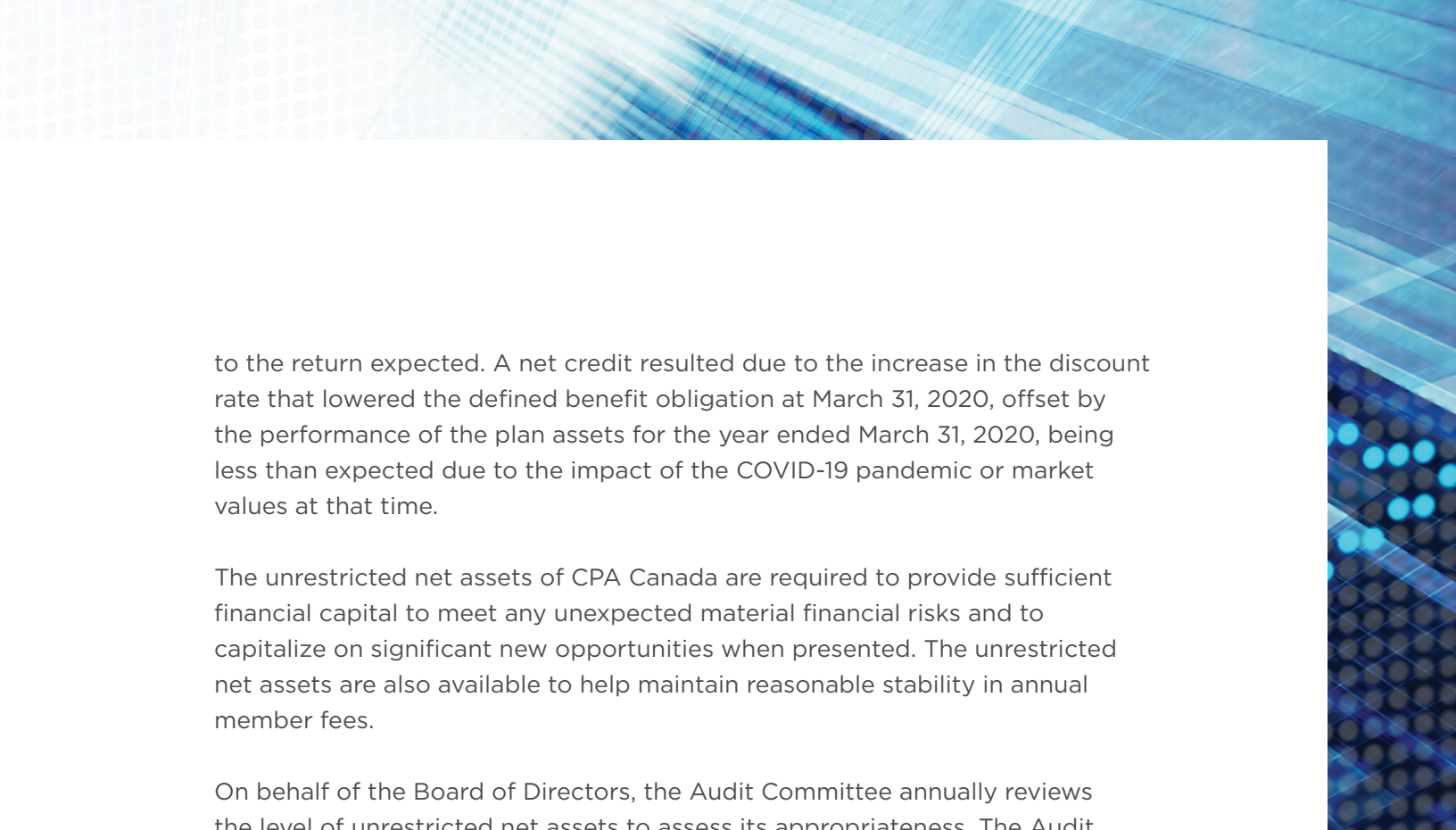
Investment in capital assets is guided by the capital asset plan prepared by management each year and approved by the Board of Directors. CPA Canada's total capital investment in fiscal 2019-20 increased to \$2.4 million from the \$1.5 million invested in the prior year. The increase in capital spending was for planned renovations of the Burnaby office after the sale of the property and leaseback of office space at the end of fiscal 2018-19.

#### Index Pooled Funds at Fair Value



#### Net assets

Net assets at March 31, 2020, which amounted to \$60.3 million, is comprised of \$4.8 million invested in capital assets (net book value of capital assets less the unamortized balance of deferred tenant inducements used to purchase capital assets) and \$55.5 million of unrestricted net assets. The increase in net assets of \$4.7 million during the year was largely due to a \$5.7 million post-retirement defined benefit credit related to remeasurements and other items, less the excess of expenses over revenues of \$1.0 million. Remeasurements and other items are largely dependent on the discount rate used to determine the defined benefit obligation and the actual return on plan assets in comparison



to the return expected. A net credit resulted due to the increase in the discount rate that lowered the defined benefit obligation at March 31, 2020, offset by the performance of the plan assets for the year ended March 31, 2020, being less than expected due to the impact of the COVID-19 pandemic or market values at that time.

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

On behalf of the Board of Directors, the Audit Committee annually reviews the level of unrestricted net assets to assess its appropriateness. The Audit Committee considers the potential negative financial impact from CPA Canada's exposure to operational and financial risks as well as the likelihood of important new opportunities arising and being undertaken. Based on the overall assessment and the need to address potential negative financial impact, the Audit Committee believes CPA Canada should currently retain a minimum of unrestricted net assets in the range of \$33.8 million to \$58.5 million and a target surplus amount of \$41.0 million. The unrestricted net assets of \$55.5 million are within the required range and above the current target amount.



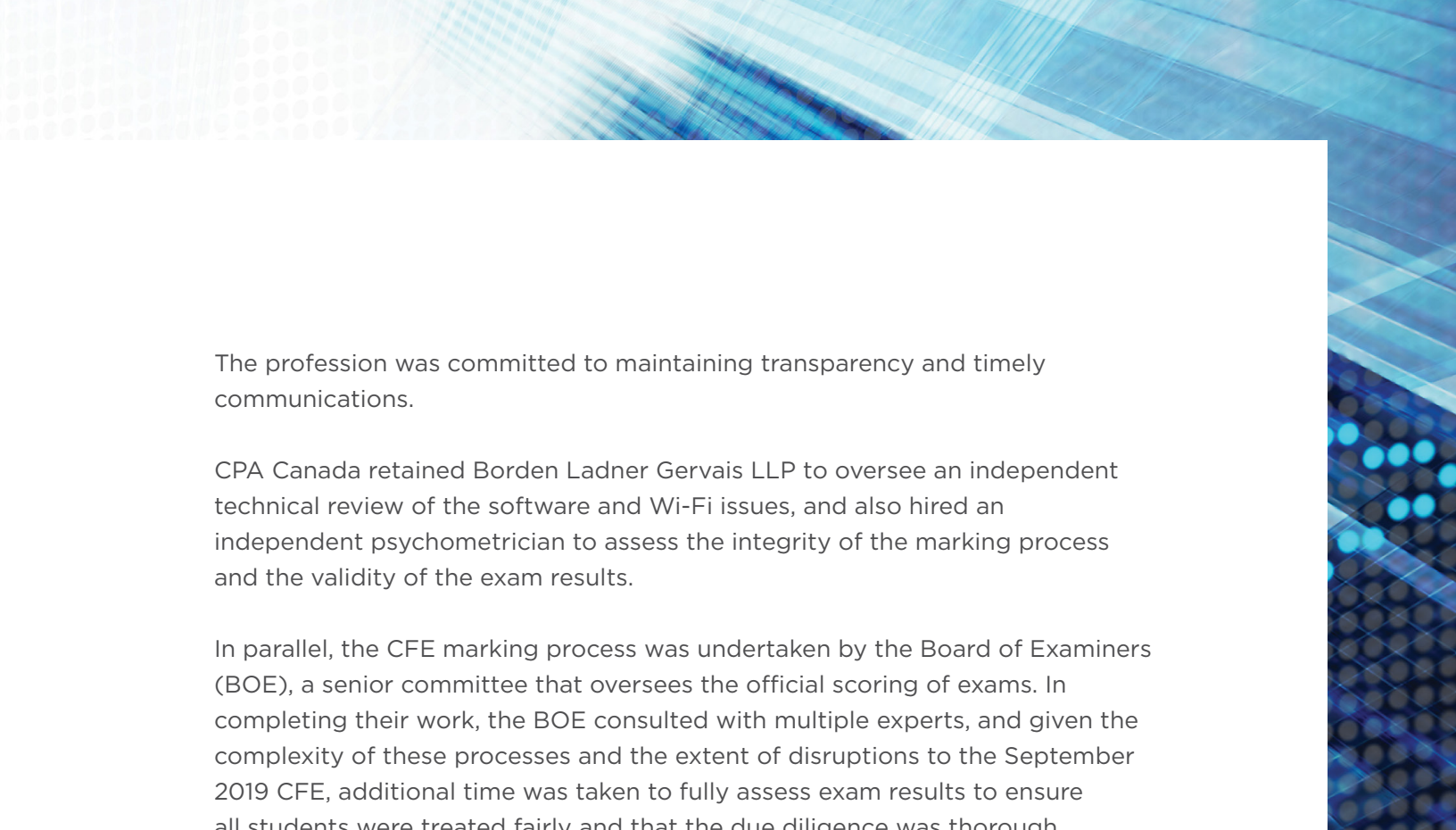
# Financial performance

In fiscal 2019-20, CPA Canada operations resulted in a \$1.0 million excess of expenses over revenues compared to the prior year, where the excess of revenues over expenses was \$12.3 million.

Total revenues of \$125.8 million from all sources decreased by \$3.0 million over the prior year total revenues of \$128.8 million. Investment income of \$0.8 million was \$3.1 million lower than the prior year. In the prior year, investment income benefited from favourable market conditions that gave rise to a significant unrealized gain of \$1.3 million on the fair value of the index pooled funds. In contrast, investment income in the current year was impacted by a sharp downturn in the market late in the fiscal year, due to reactions to the COVID-19 pandemic. This gave rise to a significant unrealized loss of \$2.6 million in the fair value of the index pooled funds at March 31, 2020. Without the impact of the fair value adjustments, investment income rose by \$0.8 million over the prior year.

Total expenses of \$126.7 million were higher than they were in the prior year by \$3.8 million and can be attributed to a number of factors that impacted the organization. The Digital Optimization Program (DOP) is an organization-wide initiative intended to leverage digital technologies so CPA Canada can enhance the experiences of members and employees, increase member value and drive financial sustainability. The DOP, as a key strategic objective, and a multi-year project for the organization, began partway through the prior fiscal year. However, with the program running for the entire 2019-20 fiscal year, it resulted in an increase in spending of \$2.2 million year over year.

During the September 2019 Common Final Examination (CFE), many writers experienced technology-related disruptions on one or more days of the three-day exam. These included exam software and Wi-Fi issues, which led to lengthy delays and lack of access to reference materials for many students.



The profession was committed to maintaining transparency and timely communications.

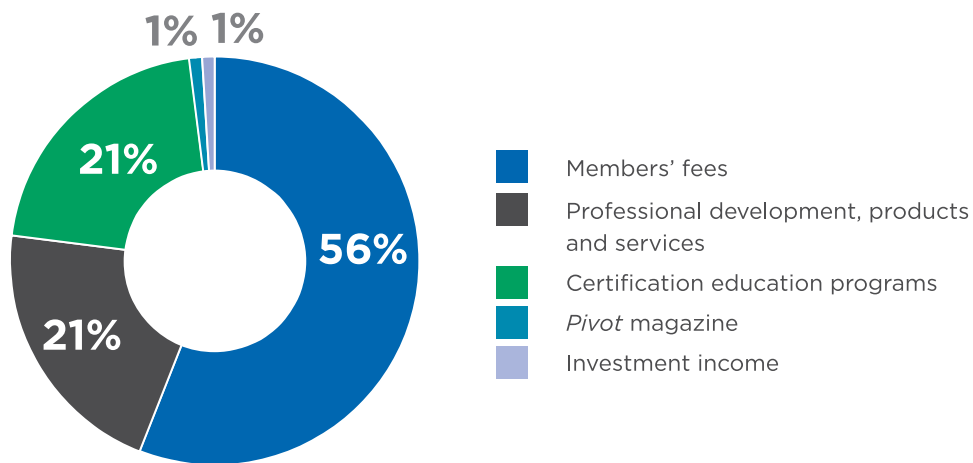
CPA Canada retained Borden Ladner Gervais LLP to oversee an independent technical review of the software and Wi-Fi issues, and also hired an independent psychometrician to assess the integrity of the marking process and the validity of the exam results.

In parallel, the CFE marking process was undertaken by the Board of Examiners (BOE), a senior committee that oversees the official scoring of exams. In completing their work, the BOE consulted with multiple experts, and given the complexity of these processes and the extent of disruptions to the September 2019 CFE, additional time was taken to fully assess exam results to ensure all students were treated fairly and that the due diligence was thorough. The total cost in 2019-20, to conduct a third-party review in parallel with the CFE marking process, other measures aimed at ensuring the reliability of the examination results, and remediations for writers, was \$4.3 million. CPA Canada is bearing 50% of the cost (\$2.15 million) and the provincial/territorial/regional CPA bodies are bearing the remaining 50%. The total costs include estimates of \$2.1 million for remediation, to help mitigate the impact on failed exam-writers. Remediation costs include a free future re-write of the CFE and access to the CPA Professional Education Program's Capstone 2 preparatory module at no charge.

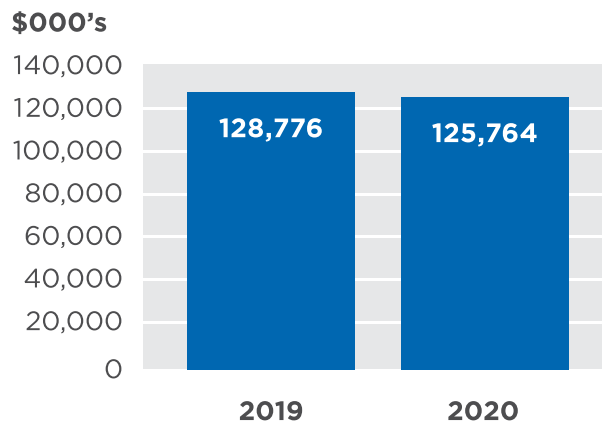
In the prior year, CPA Canada had a one-time \$6.4 million gain realized on the sale of its Burnaby property. This contrasted with the current year's operating result, where the organization had no comparative transaction of this nature.

Late in 2019-20, due to the COVID-19 pandemic, governments and others imposed restrictions such as travel bans, self-imposed quarantine periods, closing of non-essential businesses and physical distancing. This led to the cancellation of some planned travel and face-to-face meetings late in the year; however, COVID-19 did not have a significant impact on operating results for the year.

### 2020 Sources of Revenue



### Total Revenue

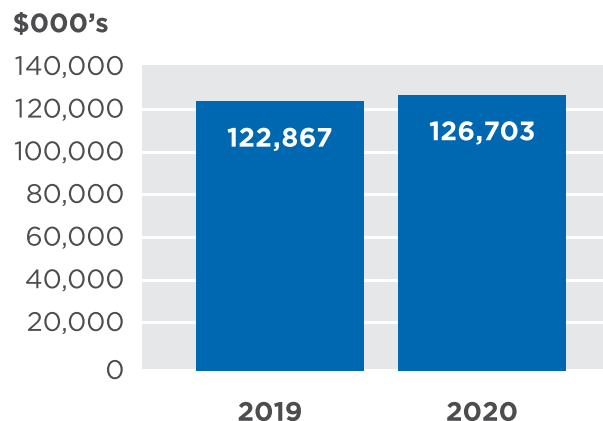


Uncertainty remains high as the COVID-19 pandemic continues to impact the global economy. The extent to which the pandemic will impact CPA Canada’s future financial results cannot be predicted. However, CPA Canada is taking steps to thoughtfully execute on its strategic plan by focusing on its key priorities (including audit and assurance, tax, and sustainability), continuing to advance the *Foresight: Reimagining the Profession* initiative, and investing in new digital technology through the DOP. As we move forward into fiscal 2020-21, we will continue to closely monitor future developments and events as they unfold and manage our resources carefully and prudently to enable the organization to pivot quickly as circumstances dictate.

### 2020 Sources of Expenses



### Total Expenses



# Financial Statements

## Management Responsibility for Financial Reporting

The accompanying summary 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 summary financial statements have been prepared by management and are derived from the complete audited financial statements prepared 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 summary 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 summary 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 CEO



## Report of the Independent Auditor on the Summary Financial Statements

To the Members of Chartered Professional Accountants of Canada

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at March 31, 2020, and the summary statements of operations, changes in net assets and cash flows for the year then ended, and related note, are derived from the audited financial statements of Chartered Professional Accountants of Canada (“CPA Canada”) for the year ended March 31, 2020.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with the criteria described in the note to the summary financial statements.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Canadian accounting standards for not-for-profit organizations. Reading the summary financial statements and the auditor’s report thereon, therefore, is not a substitute for reading the audited financial statements of CPA Canada and the auditor’s report thereon.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated June 17, 2020.

### Management’s Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the criteria described in the note to the summary financial statements.

### Auditor’s Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

The logo for Hilborn LLP, featuring the company name in a stylized, cursive blue font.

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
June 17, 2020

## Summary Statement of Financial Position

as at March 31

	2020 (\$000's)	2019 (\$000's)
<b>ASSETS</b>		
Cash	\$23,581	\$11,191
Accounts receivable and other assets	14,900	8,828
Investments	79,379	99,443
Capital assets	6,977	6,157
	<b>\$124,837</b>	<b>\$125,619</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$20,962	\$19,253
Deferred revenue	14,983	16,223
Post-retirement benefits	26,376	31,992
Deferred lease incentives	2,259	2,548
	<b>64,580</b>	<b>70,016</b>
<b>NET ASSETS</b>		
Invested in capital assets	4,832	3,735
Unrestricted	55,425	51,868
	<b>60,257</b>	<b>55,603</b>
	<b>\$124,837</b>	<b>\$125,619</b>

On behalf of the Board,



Amanda Whitewood, FCPA, FCMA  
Director



Gregory Gallant, FCPA, FCA  
Director

## Summary Statement of Operations

for the year ended March 31

	2020 (\$000's)	2019 (\$000's)
<b>REVENUES</b>		
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	769	3,946
International programs	570	739
	<b>125,764</b>	<b>128,776</b>
<b>EXPENSES</b>		
Certification education programs	26,523	27,239
Professional development, products and services	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
	<b>126,703</b>	<b>122,867</b>
Excess of revenues over expenses (expenses over revenues) before the following	<b>(939)</b>	5,909
Gain (loss) realized on sale of capital assets	<b>(19)</b>	6,400
<b>EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)</b>	<b>\$(958)</b>	<b>\$12,309</b>

## Summary 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 capital assets, net of tenant inducements	2,374	(2,374)	—	1,315	(1,315)	—
Disposal of capital 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

## Summary Statement of Cash Flows

for the year ended March 31

	2020	2019
	(\$000's)	(\$000's)
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses (expenses over revenues)	<b>\$(958)</b>	\$12,309
Adjustments to determine net cash provided by (used in) operating activities:		
Amortization of capital assets	<b>1,532</b>	1,814
Loss (gain) on disposal of capital assets	<b>19</b>	(6,400)
Capitalized investment income	<b>(1,963)</b>	(2,207)
Unrealized depreciation (appreciation) in fair value of index pooled funds	<b>2,615</b>	(1,262)
Post-retirement benefits	<b>(4)</b>	(31)
Amortization of deferred lease incentives	<b>(289)</b>	(278)
	<b>952</b>	3,945
Change in non-cash working capital items	<b>(5,603)</b>	(532)
	<b>(4,651)</b>	3,413
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	<b>(33,458)</b>	(47,653)
Proceeds on sale of investments	<b>52,870</b>	26,609
Purchase of capital assets	<b>(2,374)</b>	(1,522)
Proceeds on disposal of capital assets	<b>3</b>	15,508
Receipt of lease incentives	<b>—</b>	336
	<b>17,041</b>	(6,722)
Net change in cash	<b>12,390</b>	(3,309)
Cash, beginning of year	<b>11,191</b>	14,500
Cash, end of year	<b>\$23,581</b>	\$11,191

## **Note to Summary Financial Statements**

*for the year ended March 31, 2020*

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### **Basis of Presentation**

These summary financial statements are derived from the audited financial statements of Chartered Professional Accountants of Canada (CPA Canada) for the year ended March 31, 2020, which were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Management prepared these summary financial statements using the following criteria:

- a) the summary financial statements include a statement for each statement included in the audited financial statements;
- b) information in the summary financial statements agrees with the related information in the audited financial statements; and
- c) major subtotals, totals and comparative information from the audited financial statements are included.

The audited financial statements of CPA Canada are available on the [CPA Canada website](#).





**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
CANADA

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