

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Financial Statements
For the Year Ended June 30, 2023

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For the Year Ended June 30, 2023

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Independent Auditor's Report

**To the Members of
The Toronto Society of Financial Analysts**
(operating as CFA Society Toronto)

Opinion

We have audited the financial statements of The Toronto Society of Financial Analysts (operating as CFA Society Toronto) (the "Society"), which comprise the statement of financial position as at June 30, 2023, 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 the Society as at June 30, 2023, and its results of 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 the Society 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.

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 Society's ability 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 the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Independent Auditor's Report

(Continued)

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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- 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 Society's ability 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 the Society 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 28, 2023

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Statement of Financial Position

June 30	2023	2022
Assets		
Current		
Cash	\$ 184,068	\$ 185,080
Short-term investments (Note 2)	3,092,609	3,017,264
Accounts receivable	144,202	91,878
Prepaid expenses	85,242	85,126
	3,506,121	3,379,348
Long-term investments (Note 2)	-	300,000
Capital assets (Note 3)	182,754	303,958
Intangible assets (Note 4)	64,721	129,941
	\$ 3,753,596	\$ 4,113,247
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 424,012	\$ 534,235
Government loan (Note 8)	40,000	-
Unearned revenue (Note 5)	929,401	771,493
	1,393,413	1,305,728
Deferred capital contributions (Note 6)	102,972	134,428
Deferred lease inducements (Note 7)	112,964	236,198
Government loan (Note 8)	-	40,000
	1,609,349	1,716,354
Net Assets		
Investment in capital assets (Note 9)	40,910	82,867
Stabilization reserve	840,000	940,000
Opportunities and technology reserve	446,300	446,300
Event cancellation reserve	100,000	100,000
Capital expenditures reserve	587,500	587,500
Unrestricted funds	129,537	240,226
	2,144,247	2,396,893
	\$ 3,753,596	\$ 4,113,247

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

The Toronto Society of Financial Analysts
 (operating as CFA Society Toronto)
Statement of Operations

For the year ended June 30	2023	2022
Revenue		
Membership dues	\$ 2,139,633	\$ 1,974,836
CFA Institute discretionary grants	743,835	735,620
Program and sponsorship revenue	655,843	294,247
Interest and miscellaneous income (Note 8)	172,182	119,182
Membership placement services	155,800	216,265
Facility services	67,144	63,214
Candidate education	56,732	20,449
Other member services	15,835	15,433
	<u>4,007,004</u>	<u>3,439,246</u>
Expenses		
Salaries and related benefits	2,079,923	1,801,351
Program expenses	538,481	121,623
Member operations expenses	452,146	423,687
Rent and utilities (Note 7)	311,478	302,066
Telecommunications and website	306,311	201,999
Amortization of capital and intangible assets	233,322	252,548
Professional services	189,986	374,554
Marketing and development	85,693	117,201
Office and general	45,248	27,682
Meetings, conferences and honoraria	17,062	10,058
	<u>4,259,650</u>	<u>3,632,769</u>
Deficiency of revenues over expenses for the year	\$ (252,646)	\$ (193,523)

The accompanying notes are an integral part of these financial statements.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Statement of Changes in Net Assets

For the year ended June 30, 2023

	Investment in capital assets	Stabilization reserve	Opportunities and technology reserve	Event cancellation reserve	Capital expenditures reserve	Unrestricted	Total
Balance, beginning of the year	\$ 82,867	\$ 940,000	\$ 446,300	\$ 100,000	\$ 587,500	\$ 240,226	\$ 2,396,893
Deficiency of revenues over expenses (Note 9)	(41,957)	-	-	-	-	(210,689)	(252,646)
Transfer to (from) internally restricted funds	-	(100,000)	-	-	-	100,000	-
Balance, end of the year	\$ 40,910	\$ 840,000	\$ 446,300	\$ 100,000	\$ 587,500	\$ 129,537	\$ 2,144,247

For the year ended June 30, 2022

	Investment in capital assets	Stabilization reserve	Opportunities and technology reserve	Event cancellation reserve	Capital expenditures reserve	Unrestricted	Total
Balance, beginning of the year	\$ 106,018	\$ 940,000	\$ 371,300	\$ 100,000	\$ 412,500	\$ 660,598	\$ 2,590,416
Deficiency of revenues over expenses (Note 9)	(43,605)	-	-	-	-	(149,918)	(193,523)
Transfer to (from) internally restricted funds	-	-	75,000	-	175,000	(250,000)	-
Investment in capital assets (Note 9)	20,454	-	-	-	-	(20,454)	-
Balance, end of the year	\$ 82,867	\$ 940,000	\$ 446,300	\$ 100,000	\$ 587,500	\$ 240,226	\$ 2,396,893

The accompanying notes are an integral part of these financial statements.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Statement of Cash Flows

For the year ended June 30	2023	2022
Cash flows from operating activities		
Deficiency of revenues over expenses for the year	\$ (252,646)	\$ (193,523)
Items not affecting cash:		
Amortization of capital and intangible assets	233,322	252,548
Amortization of deferred capital contributions	(78,354)	(95,930)
Amortization of deferred lease inducements	(123,234)	(123,237)
	<u>(220,912)</u>	<u>(160,142)</u>
Changes in non-cash working capital:		
Accounts receivable	(52,324)	82,709
Prepaid expenses	(116)	21,764
Accounts payable and accrued liabilities	(110,223)	83,913
Unearned revenue	157,908	545,702
	<u>(225,667)</u>	<u>573,946</u>
Cash flows from investing activities		
Purchase of investments	(1,566,165)	(2,535,631)
Proceeds from sale of investments	1,790,820	1,949,205
Purchase of capital assets	(38,219)	(13,312)
Purchase of intangible assets	(8,679)	(42,926)
	<u>177,757</u>	<u>(642,664)</u>
Cash flows from financing activities		
Additions of deferred capital contributions	46,898	35,784
Net decrease in cash	(1,012)	(32,934)
Cash, beginning of the year	<u>185,080</u>	<u>218,014</u>
Cash, end of the year	\$ 184,068	\$ 185,080

The accompanying notes are an integral part of these financial statements.

The Toronto Society of Financial Analysts (operating as CFA Society Toronto) Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization

The Society (operating as CFA Society Toronto) (the "Society") was incorporated by letters patent under the Corporations Act of the Province of Ontario on June 30, 1970 as a not-for profit corporation. The purposes of the Society are:

- To provide and maintain an organization for those persons who are directly or indirectly engaged in financial analysis as related to securities investment and to advance and protect generally the status, welfare and interests of such persons;
- to formulate and promote high standards of ethics in financial analysis;
- to educate and inform financial analysts as to techniques, standards and developments with regard to financial analysis, securities and securities markets in order that they might have serve the public more competently;
- to hold or sponsor conferences, seminars, courses and workshops or otherwise disseminate information and ideas among members of the Society and to the public relating to financial analysis as related to securities investment; and
- to publicize information regarding financial and security analysis in order to promote public understanding of its role and usefulness.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), Part III of the Chartered Professional Accountants of Canada Handbook, as issued by the Canadian Accounting Standards Board. The financial statements reflect the following significant policies.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition

The Society follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Membership dues are collected by the CFA Institute and are distributed to the Society. Revenue is recognized as revenue is the period to which it relates.

Program, sponsorship and facility services revenues are collected by the Society and are recognized as revenue on the date the event occurs, or if applicable, over the term of the agreement.

CFA Institute discretionary grants are recognized as revenue when revenue is received or receivable.

Member operations, membership placement services, candidate education revenues and other members services are recognized as revenue as the related services are provided.

Interest is calculated on the daily balance and is recognized as revenue at the end of each month.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (continued)

Net Assets

The financial statements have been prepared in a manner that segregates net asset balances as follows:

- Investment in capital assets represents the Society's net investment in capital assets purchased with Society funds, less accumulated amortization thereon since acquisition;
- Stabilization reserve represents an internally restricted fund to ensure the continuity of the Society by providing a liquidity reserve;
- Opportunities and technology reserve represents an internally restricted fund for new initiatives and opportunities as they arise. This fund will ensure new initiatives can be pursued in the absence of funding availability in the current year's budget;
- Event cancellation reserve represents an internally restricted fund to be drawn on when a major event needs to be cancelled due to poor attendance or unforeseen circumstances;
- Capital expenditures reserve represents an internally restricted fund to finance any capital projects that are considered necessary without the need to fund such a project entirely from the current year's operating budget; and
- Unrestricted comprises the remaining excess of revenues over expenditures from operations that are available for general use.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (continued)

Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value and subsequently measures them at amortized cost. Financial assets include cash, investments and accounts receivable. Financial liabilities include accounts payable and accrued liabilities.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in the statement of operations.

The Toronto Society of Financial Analysts
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Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (continued)

Capital Assets

Purchased assets meeting the criteria for recognition of capital assets are capitalized at the date possession of the asset occurs. Included in the capitalized amounts are costs directly attributable to preparing the asset for its intended use.

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the tangible capital asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Computer equipment	Straight-line	3 years
Furniture and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Life of the lease

Capital assets are amortized once put into use.

When changes in circumstances give rise to indications of an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition, management will test for impairment. An impairment loss is recorded if the carrying value of the asset exceeds its fair value. Impairment losses are recognized in the period realized.

Intangible Assets

Intangible assets consist of computer software and website design which are amortized over three years on a straight-line basis.

Deferred Capital Contributions

Deferred capital contributions consist of capital purchases funded by the CFA Institute and are amortized on a straight-line basis over the estimated useful life of the asset for furniture and fixtures, computer equipment, website design and computer software purchases. The leasehold improvements are amortized on a straight-line basis over the term of the lease and are netted against rent and utilities on the statement of operations.

The Toronto Society of Financial Analysts
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Notes to Financial Statements

June 30, 2023

1. Significant Accounting Policies (continued)

Deferred Lease Inducement	Deferred lease inducements consist of leasehold improvement reimbursements and rent allowances from the landlord, and are amortized on a straight-line basis over the term of the lease and are netted against rent and utilities on the statement of operations.
Use of Estimates	The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the current estimates.
Contributed Services	Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.
Government Assistance	The Society makes periodic applications for financial assistance under the government incentive programs. Government subsidies received during the year are accounted as revenue in the year they relate.

The Toronto Society of Financial Analysts
 (operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

2. Investments

	2023	2022
High interest savings accounts	\$ 1,060,361	\$ 1,361,584
Guaranteed investments certificates	2,032,248	1,655,680
Total short-term investments	\$ 3,092,609	\$ 3,017,264
Guaranteed investments certificates	\$ -	\$ 300,000
Total long-term investments	\$ -	\$ 300,000

Short-term investments are comprised of guaranteed investments certificates with interest rates from 4.15% to 5.25% (2022 - 0.45% to 3.65%) and maturity dates from November 20, 2023 to June 24, 2024 (2022 - November 18, 2022 to June 24, 2023).

3. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 384,385	\$ 362,349	\$ 368,380	\$ 349,451
Furniture and fixtures	307,319	285,475	285,105	283,323
Leasehold improvements	1,032,768	893,894	1,032,768	749,521
	1,724,472	1,541,718	1,686,253	1,382,295
		\$ 182,754		\$ 303,958

The Toronto Society of Financial Analysts
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Notes to Financial Statements

June 30, 2023

4. Intangible Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer software	\$ 316,476	\$ 303,329	\$ 316,476	\$ 290,255
Website design	341,393	289,819	332,714	228,994
	657,869	593,148	649,190	519,249
		\$ 64,721		\$ 129,941

5. Unearned Revenue

Unearned revenue consists of the following:

	2023	2022
Membership fees	\$ 754,712	\$ 573,688
CFA Institute funding	56,943	119,997
Sponsorships and other	117,746	77,808
Balance - end of year	\$ 929,401	\$ 771,493

The changes in the unearned revenue balance reported for the year are as follows:

	2023	2022
Balance - beginning of year	\$ 771,493	\$ 225,791
Additions during the year	3,279,735	3,083,899
Recognized in revenue	(3,121,827)	(2,538,197)
Balance - end of year	\$ 929,401	\$ 771,493

The Toronto Society of Financial Analysts
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Notes to Financial Statements

June 30, 2023

6. Deferred Capital Contributions

Deferred capital contributions represents the unamortized amount of contributions received for the purchase of capital assets.

The changes in the deferred capital contributions balance reported for the year are as follows:

	<u>2023</u>	<u>2022</u>
Balance - beginning of year	\$ 134,428	\$ 194,574
Additions during the year	46,898	35,784
Recognized in revenue	<u>(78,354)</u>	<u>(95,930)</u>
Balance - end of year	<u>\$ 102,972</u>	<u>\$ 134,428</u>

The Toronto Society of Financial Analysts
 (operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

7. Deferred Lease Inducements

In fiscal 2017, at the landlord's request, the Society relocated its premises. The original lease agreement was due to expire on December 31, 2018. On February 6, 2017, the Society entered into a new agreement, which extended its office space lease for an additional 65 months to May 21, 2024. The office relocation required the Society to incur moving costs and invest in leasehold improvements. However, the Society received leasehold improvement reimbursements and rent allowances to offset the outlays. The deferred lease inducements are being amortized on a straight-line basis over the term of the lease.

The changes in deferred lease inducements are as follows:

	2023		2022	
	Leasehold improvements	Rent allowance	Total	Total
Balance - beginning of year	\$ 216,604	\$ 19,594	\$ 236,198	\$ 359,435
Less lease inducements recognized in the year	(113,011)	(10,223)	(123,234)	(123,237)
Balance - end of year	\$ 103,593	\$ 9,371	\$ 112,964	\$ 236,198

8. Government Loan

The Society received the \$60,000 Canada Emergency Business Account ("CEBA") loan to finance qualifying non-deferrable expenses during COVID-19. The loan is non-interest bearing with no scheduled payments until December 31, 2023. If \$40,000 of the loan has been repaid by that date, the remaining \$20,000 will be forgiven. If the \$40,000 in loan payments have not been made by December 31, 2023, the full loan balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a two year period ending December 31, 2025. The \$40,000 is expected to be repaid in full by December 31, 2023, therefore, the \$20,000 forgivable portion has previously been recorded as interest and miscellaneous income in the statement of operations. The remaining \$40,000 has been recorded at its fair value at the date the loan was received.

The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
Notes to Financial Statements

June 30, 2023

9. Investment In Capital Assets

Net assets invested in capital assets are calculated as follows:

	<u>2023</u>	<u>2022</u>
Capital assets (Note 3)	\$ 182,754	\$ 303,958
Intangible assets (Note 4)	64,721	129,941
Deferred lease inducement relating to leasehold improvements (Note 7)	(103,593)	(216,604)
Deferred capital contribution (Note 6)	<u>(102,972)</u>	<u>(134,428)</u>
	<u>\$ 40,910</u>	<u>\$ 82,867</u>

The change in net assets invested in capital assets is calculated as follows:

	<u>2023</u>	<u>2022</u>
Excess of expenditures over revenues		
Amortization of capital and intangible assets	\$ (233,322)	\$ (252,548)
Amortization of deferred lease inducements (Note 7)	113,011	113,013
Amortization of deferred capital contributions (Note 6)	<u>78,354</u>	<u>95,930</u>
	<u>\$ (41,957)</u>	<u>\$ (43,605)</u>
 Investment in capital assets		
Capital and intangible assets acquired	\$ 46,898	\$ 56,238
Additions to deferred capital contributions (Note 6)	<u>(46,898)</u>	<u>(35,784)</u>
	<u>\$ -</u>	<u>\$ 20,454</u>

10. Commitments

The Society is committed to lease office premises and equipment lease under separate lease agreement ending May 31, 2024 and May 11, 2024 respectively. Future minimum lease payments, including estimated operating costs and realty taxes are approximately as follows:

2024	<u>\$ 408,000</u>
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The Toronto Society of Financial Analysts
(operating as CFA Society Toronto)
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June 30, 2023

11. Financial Instruments and Risk Management

The Society is exposed to financial risks through transactions in financial instruments.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's exposure to credit risk associated with cash and investments is minimized substantially by ensuring these assets are invested in financial obligations of major financial institutions that have been accorded investment grade ratings by a primary rating agency. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the investment policy of the Society. Credit risk associated with accounts receivable is reduced by monitoring overdue accounts receivable.

Liquidity risk is the risk the Society cannot repay its obligations when they come due. The Society has liquidity risk in accounts payable and accrued liabilities. The Society reduces its exposure to liquidity risk by ensuring it documents when authorized payments come due and holding assets that can be readily converted into cash. In the opinion of management, the liquidity risk exposure of the Society is low.

It is management's opinion that the Society is not exposed to significant currency risk, liquidity risk and market risk.