

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

Financial Statements  
**June 30, 2017**



August 28, 2017

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of The Toronto Society of Financial Analysts (operating as CFA Society Toronto), which comprise the statement of financial position as at June 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Toronto Society of Financial Analysts (operating as CFA Society Toronto) as at June 30, 2017 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

## Statement of Financial Position

As at June 30, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	717,895	1,000,619
Restricted cash (note 4)	127,243	102,034
Investments (note 3)	1,751,496	966,660
Accounts receivable	257,521	97,310
Prepaid expenses	143,121	170,243
	2,997,276	2,336,866
<b>Investments</b> (note 3)	101,056	859,854
<b>Capital assets</b> (note 5)	1,215,574	205,148
<b>Intangible assets</b> - net of accumulated amortization of \$8,440 (2016 - \$62,586)	104,482	48,284
	4,418,388	3,450,152
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	570,698	515,877
Unearned revenue	684,412	640,629
Due to Canadian Advocacy Council (note 7)	126,446	93,875
	1,381,556	1,250,381
<b>Deferred capital contributions</b> (note 8)	72,897	5,814
<b>Deferred lease inducements</b> (note 9)	852,367	139,649
	2,306,820	1,395,844
<b>Net Assets</b>		
<b>Investment in capital assets</b> (note 10)	538,399	142,124
<b>Stabilization reserve</b>	865,000	715,000
<b>Opportunities and technology reserve</b>	371,300	500,000
<b>Event cancellation reserve</b>	100,000	100,000
<b>Capital expenditures reserve</b>	112,500	375,000
<b>Unrestricted</b>	124,369	222,184
	2,111,568	2,054,308
	4,418,388	3,450,152
<b>Commitments</b> (note 11)		

Approved by the Board of Directors

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Director

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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, 2017

	2017 \$	2016 \$
<b>Revenues</b>		
Membership dues	1,389,915	1,348,739
Program and sponsorship revenue	891,188	849,665
CFA Institute discretionary grants	515,975	498,226
Membership placement services	297,520	315,810
Member operations revenue	140,719	87,002
Other member services	45,392	25,273
Interest and miscellaneous income	34,163	35,501
Facility services	22,967	24,872
Candidate education	5,274	65,030
	<u>3,343,113</u>	<u>3,250,118</u>
<b>Expenditures</b>		
Salaries and related benefits	1,296,774	1,359,574
Program expenses	649,270	589,799
Member operations expenses	391,798	342,530
Professional services	229,606	187,804
Telecommunications and website	149,392	109,034
Rent and utilities	141,084	236,358
Amortization of capital and intangible assets	136,176	114,936
Loss on disposal of capital assets	81,047	-
Marketing and development	79,493	122,567
Office and general	53,247	55,184
Moving costs	51,548	-
Meetings, conferences and honoraria	26,418	33,893
	<u>3,285,853</u>	<u>3,151,679</u>
<b>Excess of revenues over expenditures for the year</b>	<u>57,260</u>	<u>98,439</u>

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, 2017

	2017						
	Investment in capital assets \$	Stabilization reserve \$	Opportunities and technology reserve \$	Event cancellation reserve \$	Capital expenditures reserve \$	Unrestricted \$	Total \$
<b>Balance - Beginning of year</b>	142,124	715,000	500,000	100,000	375,000	222,184	2,054,308
Excess (deficiency) of revenues over expenditures for the year (note 10)	(87,080)	-	-	-	-	144,340	57,260
Transfer to (from) internally restricted funds	-	150,000	(128,700)	-	(262,500)	241,200	-
Investment in capital assets (note 10)	483,355	-	-	-	-	(483,355)	-
<b>Balance - End of year</b>	<b>538,399</b>	<b>865,000</b>	<b>371,300</b>	<b>100,000</b>	<b>112,500</b>	<b>124,369</b>	<b>2,111,568</b>
	2016						
	Investment in capital assets \$	Stabilization reserve \$	Opportunities and technology reserve \$	Event cancellation reserve \$	Capital expenditures reserve \$	Unrestricted \$	Total \$
<b>Balance - Beginning of year</b>	140,720	715,000	500,000	100,000	300,000	200,149	1,955,869
Excess (deficiency) of expenditures over revenues for the year (note 10)	(70,413)	-	-	-	-	168,852	98,439
Transfer to internally restricted funds	-	-	-	-	75,000	(75,000)	-
Investment in capital assets (note 10)	71,817	-	-	-	-	(71,817)	-
<b>Balance - End of year</b>	<b>142,124</b>	<b>715,000</b>	<b>500,000</b>	<b>100,000</b>	<b>375,000</b>	<b>222,184</b>	<b>2,054,308</b>

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, 2017

	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenditures for the year	57,260	98,439
Items not involving cash		
Write-off of deferred lease inducements	(98,777)	-
Loss on disposal of capital assets	81,047	-
Amortization of capital and intangible assets	136,176	114,936
Amortization of deferred capital contributions	(6,273)	(7,973)
Amortization of deferred lease inducements	(61,411)	(53,087)
	108,022	152,315
Changes in non-cash working capital		
Accounts receivable	(86,855)	45,007
Prepaid expenses	27,122	(78,080)
Accounts payable and accrued liabilities	(166,365)	217,805
Unearned revenue	43,783	89,582
	(74,293)	426,629
<b>Financing activities</b>		
Additions to deferred lease inducements	87,414	-
<b>Investing activities</b>		
Purchase of investments	(1,004,755)	(1,376,562)
Proceeds from sale of investments	978,717	1,350,099
Purchase of capital assets	(206,064)	(30,000)
Purchase of intangible assets	(71,105)	(41,817)
Restricted cash	(25,209)	(19,910)
Due to Canadian Advocacy Council	32,571	33,697
	(295,845)	(84,493)
<b>Change in cash during the year</b>	(282,724)	342,136
<b>Cash - Beginning of year</b>	1,000,619	658,483
<b>Cash - End of year</b>	717,895	1,000,619
<b>Non-cash transactions</b>		
Leasehold improvements capitalized through deferred lease inducements	785,492	-
Leasehold improvements capitalized not yet paid	221,186	-
Deferred capital contributions not yet received	73,356	-

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, 2017**

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## **1 Nature of operations**

The Toronto Society of Financial Analysts (the Society), operating as CFA Society Toronto, 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 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.

## **2 Summary of significant accounting policies**

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 accounting policies.

### **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 deferred and recognized as revenue in the period in which the related expenditures are incurred.

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

Program, sponsorship and facility services revenues are collected by the Society and 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.



# **The Toronto Society of Financial Analysts**

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Notes to Financial Statements

**June 30, 2017**

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Member operations, membership placement services, candidate education revenues and other member 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.

## **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.

Unrestricted comprises the remaining excess of revenues over expenditures from operations that are available for general use.

## **Financial instruments and risk management**

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

Credit risk associated with cash, restricted 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.

# **The Toronto Society of Financial Analysts**

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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 and due to Canadian Advocacy Council (CAC) of \$697,144 (2016 - \$609,752).

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 interest rate risk, currency risk, liquidity risk and market risk.

## **Cash**

Cash consists of cash balances with major financial institutions.

## **Capital assets**

The costs of capital assets are capitalized on meeting the criteria for recognition as capital assets, otherwise, costs are expensed as incurred. The cost of capital assets comprises their purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are stated at cost less accumulated amortization and accumulated impairment losses, if any.

The Society provides for amortization using methods and rates designed to amortize the cost of the capital and intangible assets over their estimated useful lives. Amortization is provided on a straight-line basis, over the following periods:

Furniture and fixtures	5 years
Computer equipment	3 years

Amortization of leasehold improvements is recorded over the remaining term of the lease.

## **Intangible assets**

Intangible assets consist of website design which is amortized over three years on a straight-line basis.

## **Impairment of long-lived assets**

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, whenever an event or change in circumstance causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

# The Toronto Society of Financial Analysts

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Notes to Financial Statements

June 30, 2017

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## 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, website and computer equipment purchases. The leasehold improvements are amortized on a straight-line basis over the term of the lease and netted against rent and utilities on the statement of operations for leasehold improvements.

## Deferred lease inducements

Deferred lease inducements consists 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 netted against rent and utilities on the statement of operations.

## Contributed services

The work of the Society is dependent on the voluntary service of many members. The value of donated services is not recognized in these financial statements.

## 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.

## 3 Investments

	Interest rate %	Maturity date	2017 \$	2016 \$
Current				
Savings accounts			37,595	8,765
Guaranteed investment certificates	1.05 to 1.85	July 31, 2017 to March 16, 2018	1,713,901	957,895
			1,751,496	966,660
Long-term				
Guaranteed investment certificate	1.60	November 2, 2018	101,056	859,854
			1,852,552	1,826,514

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2017

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## 4 Restricted cash

Restricted cash comprises a balance held in trust for the CAC in the amount of \$126,446 (2016 - \$93,875) (note 7) and the Toronto Options and Futures Society in the amount of \$797 (2016 - \$8,159) to be used towards conferences, events or other work related to derivatives and risk management.

## 5 Capital assets

	<b>2017</b>		<b>2016</b>	
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>	<b>Net \$</b>
Furniture and fixtures	272,476	228,799	43,677	29,509
Leasehold improvements	1,022,643	24,409	998,234	121,632
Computer equipment	325,502	151,839	173,663	54,007
	<b>1,620,621</b>	<b>405,047</b>	<b>1,215,574</b>	<b>205,148</b>

## 6 Accounts payable and accrued liabilities

	<b>2017 \$</b>	<b>2016 \$</b>
Accounts payable and accrued liabilities	568,222	513,293
Government remittances	2,476	2,584
	<b>570,698</b>	<b>515,877</b>

## 7 Due to Canadian Advocacy Council

The Society performs back office services for the CAC and the balance represents unspent amounts received from the CAC. The CAC is the primary obligor undertaking its activities and the Society bears no risk in the activities of the CAC. The activities of the CAC, which are set out below, are not recorded in the statement of operations:

	<b>2017 \$</b>	<b>2016 \$</b>
Balance - Beginning of year	93,875	60,178
Receipts	126,693	145,492
Disbursements	(94,122)	(111,795)
Balance - End of year	<b>126,446</b>	<b>93,875</b>

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

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## 8 Deferred capital contributions

	2017				2016	
	Leasehold improvements \$	Furniture and fixtures \$	Website \$	Computer equipment \$	Total \$	Total \$
Opening balance	-	3,655	2,159	-	5,814	13,787
Additions during the year	63,565	5,809	-	3,982	73,356	-
Amortized to expenses	(1,496)	(2,397)	(2,159)	(221)	(6,273)	(7,973)
Closing balance	62,069	7,067	-	3,761	72,897	5,814

## 9 Deferred lease inducements

During the year, 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.

	2017		2016	
	Leasehold improvements \$	Rent allowances \$	Total \$	Total \$
Opening balance	111,308	28,341	139,649	192,736
Write-offs during the year	(74,205)	(24,572)	(98,777)	-
Additions during the year	800,492	72,414	872,906	-
Amortized to expense	(55,938)	(5,473)	(61,411)	(53,087)
Closing balance	781,657	70,710	852,367	139,649

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2017

## 10 Investment in capital assets

Net assets invested in capital assets are calculated as follows:

	2017 \$	2016 \$
Capital assets (note 5)	1,215,574	205,148
Intangible assets	104,482	48,284
Deferred lease inducements relating to leasehold improvements (note 9)	(781,657)	(111,308)
	<u>538,399</u>	<u>142,124</u>

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

	2017 \$	2016 \$
Excess of expenditures over revenues		
Write-off of deferred lease inducements relating to leasehold improvements	74,205	-
Amortization of capital and intangible assets	(136,176)	(114,936)
Amortization of deferred lease inducement	55,938	44,523
Loss on disposal of capital assets	(81,047)	-
	<u>(87,080)</u>	<u>(70,413)</u>
Investment in capital assets		
Capital and intangible assets acquired	1,283,847	71,817
Deferred lease inducements relating to leasehold improvements	(800,492)	-
	<u>483,355</u>	<u>71,817</u>

## 11 Commitments

The Society is committed to lease office premises under a lease ending May 21, 2024. Future minimum lease payments, including estimated operating costs and realty taxes are approximately as follows:

	\$
2018	387,000
2019	390,000
2020	394,000
2021	403,000
2022	405,000
Thereafter	<u>774,478</u>
	<u>2,753,478</u>

# **The Toronto Society of Financial Analysts**

(operating as CFA Society Toronto)

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**June 30, 2017**

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## **12 Subsequent event**

Subsequent to year-end, on July 13, 2017, the CAC was incorporated under the name of the CFA Societies Canada Inc. under the Canada Not-for-profit Corporations Act. The CAC administration and activities will be transferred to CFA Societies Canada Inc. in fiscal 2018.

## **13 Comparative figures**

Certain prior year figures have been reclassified to conform to the current year's financial statement presentation.