

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

Financial Statements  
**June 30, 2018**



August 27, 2018

## **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, 2018 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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**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, 2018 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, 2018

	2018 \$	2017 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	681,070	717,895
Restricted cash (note 3)	8	127,243
Investments (note 4)	1,573,053	1,751,496
Accounts receivable	187,679	257,521
Prepaid expenses	73,705	143,121
	<hr/> 2,515,515	<hr/> 2,997,276
<b>Investments</b> (note 4)	304,068	101,056
<b>Capital assets</b> (note 5)	990,370	1,215,574
<b>Intangible assets</b> (note 6)	259,380	104,482
	<hr/> 4,069,333	<hr/> 4,418,388
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	359,882	570,698
Unearned revenue (note 8)	653,608	684,412
Due to Canadian Advocacy Council (note 9)	8	126,446
	<hr/> 1,013,498	<hr/> 1,381,556
<b>Deferred capital contributions</b> (note 10)	61,401	72,897
<b>Deferred lease inducements</b> (note 11)	729,134	852,367
	<hr/> 1,804,033	<hr/> 2,306,820
<b>Net Assets</b>		
<b>Investment in capital assets</b> (note 12)	519,702	465,502
<b>Stabilization reserve</b>	940,000	865,000
<b>Opportunities and technology reserve</b>	371,300	371,300
<b>Event cancellation reserve</b>	100,000	100,000
<b>Capital expenditures reserve</b>	212,500	112,500
<b>Unrestricted</b>	121,798	197,266
	<hr/> 2,265,300	<hr/> 2,111,568
	<hr/> 4,069,333	<hr/> 4,418,388
<b>Commitments</b> (note 13)		

**Approved by the Board of Directors**

\_\_\_\_\_ 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, 2018

	2018 \$	2017 \$
<b>Revenues</b>		
Membership dues	1,768,500	1,389,915
Program and sponsorship revenue	855,974	891,188
CFA Institute discretionary grants	561,467	525,863
Membership placement services	245,887	297,520
Member operations revenue	37,150	140,719
Other member services	21,377	45,392
Facility services	74,474	22,967
Interest and miscellaneous income	43,887	34,163
Candidate education	7,368	5,274
	<u>3,616,084</u>	<u>3,353,001</u>
<b>Expenditures</b>		
Salaries and related benefits	1,343,880	1,296,774
Program expenses	564,944	649,270
Member operations expenses	351,976	391,798
Amortization of capital and intangible assets	291,790	136,176
Rent and utilities (note 11)	290,975	150,972
Professional services	220,328	229,606
Telecommunications and website	168,939	149,392
Marketing and development	127,911	79,493
Office and general	52,624	53,247
Meetings, conferences and honoraria	48,646	26,418
Moving costs	339	51,548
Loss on disposal of capital assets	-	81,047
	<u>3,462,352</u>	<u>3,295,741</u>
<b>Excess of revenues over expenditures for the year</b>	<u>153,732</u>	<u>57,260</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, 2018

	<b>2018</b>						
	<b>Investment in capital assets \$</b>	<b>Stabilization reserve \$</b>	<b>Opportunities and technology reserve \$</b>	<b>Event cancellation reserve \$</b>	<b>Capital expenditures reserve \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	465,502	865,000	371,300	100,000	112,500	197,266	2,111,568
Excess (deficiency) of revenues over expenditures for the year (note 12)	(167,284)	-	-	-	-	321,016	153,732
Transfer to (from) internally restricted funds	-	75,000	-	-	100,000	(175,000)	-
Investment in capital assets (note 12)	221,484	-	-	-	-	(221,484)	-
<b>Balance - End of year</b>	<b>519,702</b>	<b>940,000</b>	<b>371,300</b>	<b>100,000</b>	<b>212,500</b>	<b>121,798</b>	<b>2,265,300</b>
	<b>2017</b>						
	<b>Investment in capital assets \$</b>	<b>Stabilization reserve \$</b>	<b>Opportunities and technology reserve \$</b>	<b>Event cancellation reserve \$</b>	<b>Capital expenditures reserve \$</b>	<b>Unrestricted \$</b>	<b>Total \$</b>
<b>Balance - Beginning of year</b>	136,310	715,000	500,000	100,000	375,000	227,998	2,054,308
Excess (deficiency) of revenues over expenditures for the year (note 12)	(80,807)	-	-	-	-	138,067	57,260
Transfer to (from) internally restricted funds	-	150,000	(128,700)	-	(262,500)	241,200	-
Investment in capital assets (note 12)	409,999	-	-	-	-	(409,999)	-
<b>Balance - End of year</b>	<b>465,502</b>	<b>865,000</b>	<b>371,300</b>	<b>100,000</b>	<b>112,500</b>	<b>197,266</b>	<b>2,111,568</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, 2018

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenditures for the year	153,732	57,260
Items not involving cash		
Amortization of capital and intangible assets	291,790	136,176
Amortization of deferred capital contributions	(11,496)	(6,273)
Amortization of deferred lease inducements	(123,233)	(61,411)
Writeoff of deferred lease inducements	-	(98,777)
Loss on disposal of capital assets	-	81,047
	<hr/>	<hr/>
	310,793	108,022
Changes in non-cash working capital		
Accounts receivable	69,842	(86,855)
Prepaid expenses	69,416	27,122
Accounts payable and accrued liabilities	(210,816)	(166,365)
Unearned revenue	(30,804)	43,783
	<hr/>	<hr/>
	208,431	(74,293)
<b>Financing activities</b>		
Additions to deferred lease inducements	-	87,414
	<hr/>	<hr/>
<b>Investing activities</b>		
Purchase of investments	(1,774,323)	(1,004,755)
Proceeds from sale of investments	1,749,754	978,717
Purchase of capital assets	(7,305)	(206,064)
Purchase of intangible assets	(214,179)	(71,105)
Restricted cash	127,235	(25,209)
Due to Canadian Advocacy Council	(126,438)	32,571
	<hr/>	<hr/>
	(245,256)	(295,845)
<b>Change in cash during the year</b>	(36,825)	(282,724)
<b>Cash - Beginning of year</b>	717,895	1,000,619
<b>Cash - End of year</b>	<hr/>	<hr/>
	681,070	717,895
<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, 2018**

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## **1 Nature of operations**

The Toronto Society of Financial Analysts (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 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 are 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 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.



# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

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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; and
- 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

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

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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 \$359,896 (2017 - \$697,144).

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 and computer software, 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**

(operating as CFA Society Toronto)

Notes to Financial Statements

**June 30, 2018**

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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, 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.

## **Deferred lease inducements**

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.

## **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 Restricted cash**

Restricted cash comprises a balance held in trust for the CAC in the amount of \$8 (2017 - \$126,446) (note 9) and the Toronto Options and Futures Society in the amount of \$nil (2017 - \$797) to be used toward conferences, events or other work related to derivatives and risk management.

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

## 4 Investments

	Interest rate %	Maturity date	2018 \$	2017 \$
Current				
Savings accounts			12,863	37,595
Guaranteed investment certificates	1.20 to 2.05	August 4, 2018 to June 25, 2019	1,560,190	1,713,901
			<u>1,573,053</u>	<u>1,751,496</u>
Long-term				
Guaranteed investment certificate	1.50	August 4, 2019	304,068	101,056
			<u>1,877,121</u>	<u>1,852,552</u>

## 5 Capital assets

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	274,236	240,887	33,349	43,677
Leasehold improvements	1,022,643	168,788	853,855	998,234
Computer equipment	331,047	227,881	103,166	173,663
	<u>1,627,926</u>	<u>637,556</u>	<u>990,370</u>	<u>1,215,574</u>

## 6 Intangible assets

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Website	112,922	46,074	66,848	104,482
Software	214,179	21,647	192,532	-
	<u>327,101</u>	<u>67,721</u>	<u>259,380</u>	<u>104,482</u>

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

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## 7 Accounts payable and accrued liabilities

	2018 \$	2017 \$
Accounts payable and accrued liabilities	357,672	568,222
Government remittances	2,210	2,476
	<u>359,882</u>	<u>570,698</u>

## 8 Deferred and unearned revenue

	2018 \$	2017 \$
Balance - Beginning of year	114,000	164,733
Additions	406,636	317,828
Amortized to revenue	<u>(398,136)</u>	<u>(368,561)</u>
Balance - End of year	<u>122,500</u>	<u>114,000</u>

## 9 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.

On July 13, 2017, the CFA Societies Canada incorporated under the Corporations Act of the Province of Ontario on June 30, 1970 as a not-for-profit corporation and obtained custody of the aforementioned services for the CAC. The Society no longer performs back office services for the CAC in fiscal 2018 and returned the majority of funds to the CAC. The activities of the CAC, which are set out below, are not recorded in the statement of operations:

	2018 \$	2017 \$
Balance - Beginning of year	126,446	93,875
Receipts	157	126,693
Disbursements	<u>(126,595)</u>	<u>(94,122)</u>
Balance - End of year	<u>8</u>	<u>126,446</u>

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

## 10 Deferred capital contributions

	2018			2017	
	Leasehold improvements \$	Furniture and fixtures \$	Computer equipment \$	Total \$	Total \$
Opening balance	62,069	7,067	3,761	72,897	5,814
Additions during the year	-	-	-	-	73,356
Amortized to expenses	(7,790)	(2,379)	(1,327)	(11,496)	(6,273)
Closing balance	54,279	4,688	2,434	61,401	72,897

## 11 Deferred lease inducements

During the prior 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.

	2018			2017	
	Leasehold reimbursements \$	Rent allowances \$	Total \$	Total \$	
Opening balance	781,657	70,710	852,367	139,649	
Writeoffs during the year	-	-	-	(98,777)	
Additions during the year	-	-	-	872,906	
Amortized to expense	(113,010)	(10,223)	(123,233)	(61,411)	
Closing balance	668,647	60,487	729,134	852,367	

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

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## 12 Investment in capital assets

Net assets invested in capital assets are calculated as follows:

	2018 \$	2017 \$
Capital assets (note 5)	990,370	1,215,574
Intangible assets (note 6)	259,380	104,482
Deferred lease inducements relating to leasehold improvements (note 11)	(668,647)	(781,657)
Deferred capital contribution	(61,401)	(72,897)
	<u>519,702</u>	<u>465,502</u>

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

	2018 \$	2017 \$
Excess of expenditures over revenues		
Amortization of capital and intangible assets	(291,790)	(136,176)
Amortization of deferred lease inducements	113,010	55,938
Amortization of deferred capital contributions	11,496	6,273
Loss on disposal of capital assets	-	(81,047)
Writeoff of deferred lease inducements relating to leasehold improvements	-	74,205
	<u>(167,284)</u>	<u>(80,807)</u>
Investment in capital assets		
Capital and intangible assets acquired	221,484	1,283,847
Deferred capital contribution	-	(73,356)
Deferred lease inducements relating to leasehold improvements	-	(800,492)
	<u>221,484</u>	<u>409,999</u>

# The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2018

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## 13 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:

	\$
2019	390,000
2020	394,000
2021	403,000
2022	405,000
2023	405,000
2024	370,000
	<hr/>
	2,367,000

## 14 Comparative figures

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