THE TORONTO SOCIETY OF FINANCIAL ANALYSTS
(o/a CFA Society Toronto)

FINANCIAL STATEMENTS

JUNE 30, 2012

Hilborn Ellis Grant LLP
Chartered Accountants
Toronto, Ontario

Independent Auditor's Report

To the Members of
The Toronto Society of Financial Analysts

We have audited the accompanying financial statements of **The Toronto Society of Financial Analysts (o/a CFA Society Toronto)** , which comprise the statement of financial position as at June 30, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 generally accepted accounting principles, 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 Society'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 Society'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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Toronto Society of Financial Analysts** as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hilborn Ellis Grant LLP

Toronto, Ontario
August 22, 2012

Chartered Accountants
Licensed Public Accountants

Statement of Financial Position

June 30	2012	2011
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**206,098**	236,159
Short term investments	**876,011**	530,154
Accounts receivable	**217,544**	272,106
Prepaid expenses	**64,722**	64,624
Restricted cash (note 3)	**81,748**	119,694
	1,446,123	1,222,737
Investments (note 5)	**1,006,940**	1,517,155
Capital assets (note 6)	**498,093**	180,637
	2,951,156	2,920,529
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**281,245**	205,795
Unearned revenue	**227,307**	403,600
Due to CAC (note 7)	**52,381**	87,848
	560,933	697,243
Deferred lease inducement (note 8)	**324,048**	-
	884,981	697,243
NET ASSETS		
Invested in capital assets	**208,692**	180,637
Stabilization reserve	**1,028,000**	928,000
Opportunities reserve	**514,000**	464,000
Event cancellation reserve	**188,000**	188,000
Capital expenditures reserve	**75,000**	250,000
Unrestricted	**52,483**	212,649
	2,066,175	2,223,286
	2,951,156	2,920,529

Approved on behalf of the Board:

Director

Director

Statement of Operations

Year ended June 30	2012 $	2011 $
Revenue		
Membership dues	**953,094**	907,232
Program and sponsorship revenue	**814,793**	845,846
Member operations revenue	**23,787**	16,554
Membership placement services	**303,830**	317,600
Candidate education	**64,636**	88,230
CFA Institute discretionary grants	**180,685**	171,917
Interest and miscellaneous income	**38,282**	34,132
	2,379,107	2,381,511
Expenditures		
Program expenses	**632,365**	598,899
Salaries and related benefits	**816,875**	797,967
Member operations expenses	**295,124**	318,540
Professional services	**175,502**	129,252
Rent	**172,534**	148,683
Moving costs	**56,309**	-
Marketing and development	**93,762**	68,772
Amortization	**100,162**	76,200
Office and general	**49,030**	38,315
Telecommunications and website	**84,587**	66,087
Meetings, conferences and honoraria	**8,662**	14,544
	2,484,912	2,257,259
Excess of revenue over expenditures (expenditures over revenue) before other expense	**(105,805)**	124,252
Other expense		
Loss on disposal of capital assets	**51,306**	-
Excess of revenue over expenditures (expenditures over revenue) for year	**(157,111)**	124,252

Statement of Changes in Net Assets

Year ended June 30

2012

	Invested in Capital Assets $	Stabilization Reserve $	Opportunities Reserve $	Event Cancellation Reserve $	Capital Expenditures Reserve $	Unrestricted $	Total $
Balance, beginning of year	180,637	928,000	464,000	188,000	250,000	212,649	**2,223,286**
Excess of revenue over expenditures (note 9)	(129,207)	-	-	-	(56,309)	28,405	**(157,111)**
Transfer to internally restricted funds (note 10)	-	100,000	50,000	-	31,264	(181,264)	**-**
Investment in capital assets (note 9)	157,262	-	-	-	(149,955)	(7,307)	**-**
Balance, end of year	208,692	1,028,000	514,000	188,000	75,000	52,483	**2,066,175**

2011

	Invested in Capital Assets $	Stabilization Reserve $	Opportunities Reserve $	Event Cancellation Reserve $	Capital Expenditures Reserve $	Unrestricted $	Total $
Balance, beginning of year	203,377	847,500	424,000	188,000	250,000	186,157	2,099,034
Excess of revenue over expenditures (expenditures over revenue)	(76,200)	-	-	-	-	200,452	124,252
Transfer to internally restricted funds	-	80,500	40,000	-	-	(120,500)	-
Investment in capital assets	53,460	-	-	-	-	(53,460)	-
Balance, end of year	180,637	928,000	464,000	188,000	250,000	212,649	2,223,286

Statement of Cash Flows

Year ended June 30	2012 $	2011 $
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue) for year	**(157,111)**	124,252
Items not affecting cash		
Amortization - capital assets	**100,162**	76,200
Amortization - deferred lease inducement	**(24,524)**	-
Loss on disposal of capital assets	**51,306**	-
Accrued interest	**10,215**	(4,359)
Rent allowance	**5,246**	-
	(14,706)	196,093
Change in non-cash working capital items		
Increase in short term investments	**(345,857)**	(327,826)
Decrease (increase) in accounts receivable	**54,562**	(67,144)
Increase in prepaid expenses	**(98)**	(17,297)
Decrease in restricted cash	**37,946**	21,651
Increase in accounts payable and accrued liabilities	**75,450**	65,592
Increase (decrease) in unearned revenue	**(176,293)**	111,811
Decrease in due to CAC	**(35,467)**	(24,731)
	(404,463)	(41,851)
Cash flows from investing activities		
Sale of investment	**500,000**	-
Purchase of capital assets	**(157,262)**	(53,460)
	342,738	(53,460)
Cash flows from financing activities		
Deferred lease inducement	**31,664**	-
Decrease in cash and cash equivalents	**(30,061)**	(95,311)
Cash and cash equivalents, beginning of year	**236,159**	331,470
Cash and cash equivalents, end of year	**206,098**	236,159
Cash and cash equivalents consists of:		
Cash	**42,406**	75,446
Interest bearing cash held in investment accounts	**163,692**	160,713
	206,098	236,159

Notes to Financial Statements

June 30, 2012

1. **Nature of operations**

The Toronto Society of Financial Analysts, 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:

(a) 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;

(b) to formulate and promote high standards of ethics in financial analysis;

(c) 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;

(d) to hold or sponsor conferences, seminars, courses and workshops or otherwise disseminate information and ideas among members of the organization and to the public relating to financial analysis as related to securities investment; and

(e) to publicize information regarding financial and security analysis in order to promote public understanding of their role and usefulness.

Under Section 149 of the Income Tax Act the Society is exempt from income taxes.

2. **Significant accounting policies**

(a) **Net Assets**

The financial statements have been prepared in a manner which segregates net assets 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 reserve represents an internally restricted fund for new initiatives and opportunities as they arise. This fund will ensure that new initiatives can be pursued in the absence of funding availability in the current year budget.

June 30, 2012

2. **Significant accounting policies (continued)**

(a) **Net Assets (continued)**

Event cancellation reserve represents an internally restricted fund to be drawn upon 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 operating budget.

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

(b) **Management estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) **Revenue recognition**

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

Program revenues are collected by the Society and recognized as revenue on the date the event occurs.

Membership placement service revenues and candidate education revenues are recognized as the related services are provided.

Substantially all of the cash balance is invested in an interest-bearing account. Interest is calculated on the daily balance and is credited and recognized at the end of each month.

Notes to Financial Statements (continued)

June 30, 2012

2. **Significant accounting policies (continued)**

(d) **Capital assets**

Capital assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Furniture and fixtures	- 5 years
Computer equipment	- 3 years
Website design	- 3 years

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

(e) **Donated 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 statements.

(f) **Short-term investments and investments**

Short-term investments, consisting of an on-demand market investment earning daily interest, is carried at fair market value. The amount is classified as current as the intention is to have access to the funds for working capital and other purposes.

Investments, consisting of a government bond and guaranteed investment certificates, are carried at amortized cost. These amounts are classified as long-term investments as the intention is to hold the assets for more than one year.

The purchase and sale of investments are accounted for on the trade date. Transactions costs, if any, associated with the acquisition and disposal of investments are capitalized and included in the acquisition costs or reduce proceeds on disposal.

3. **Restricted cash**

Restricted cash is comprised of a balance held in trust for the Canadian Advocacy Council for Canadian CFA Institute Societies in the amount of $52,381 (2011 - $87,848) (see note 7) and amounts received from other societies with spending restrictions. The balance of funds received from the Toronto Options and Futures Society in the amount of $19,895 (2011 - $22,374) is to be used towards conferences, events or other work related to derivatives and risk management. Funds received from other Canadian CFA societies in the amount of $9,472 (2011 - $9,472) are to be used for the development and provision of webcasts.

4. **Financial instruments**

Financial instruments are classified by management into one of four categories based on the underlying purpose of the instrument when the financial instrument is initially recorded. The classification determines the accounting treatment of the instrument.

The financial assets and financial liabilities of the Society are classified and measured as follows:

Financial Asset/Liability	Category	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	Held for trading	Fair value
Investments	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs.

The fair value of a financial instrument is the estimated amount that the corporation would receive or pay to settle a financial asset or financial liability as at the reporting date.

The carrying amounts of the above financial instruments approximate fair value due to the short-term nature of these financial instruments.

It is management's opinion that the organization is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

June 30, 2012

5. Investments

	2012 Market $	2012 Cost $	2011 Market $	2011 Cost $
Ontario savings bond	500,260	500,000	505,137	500,000
Guaranteed investment certificates	506,680	500,000	1,012,018	1,000,000
	1,006,940	1,000,000	1,517,155	1,500,000

The Ontario saving bond matures June 21, 2015 with a current annual yield of 3%. The bond is putable on its anniversary date. The guaranteed investment certificate is held with a Schedule A bank, matures on November 30, 2012 and earns interest at 2.3%.

6. Capital assets

	Cost $	Accumulated Amortization $	2012 Net $	2011 Net $
Furniture and fixtures	240,005	101,978	138,027	31,327
Computer equipment	83,117	42,044	41,073	54,036
Website design	32,464	24,347	8,117	18,938
Leasehold improvements	334,736	23,860	310,876	76,336
	690,322	192,229	498,093	180,637

7. Due to CAC

The Society performs back office services for the Canadian Advocacy Council for Canadian CFA Institute Societies ("CAC") and the balance represents unspent amounts received from 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.

June 30, 2012

7. Due to CAC (continued)

	2012 $	2011 $
Balance, beginning of year	87,848	112,579
Receipts	53,300	52,039
Disbursements	(88,767)	(76,770)
Balance, end of year	52,381	87,848

8. Deferred lease inducement

During the year, at the landlord's request, the Society relocated its premises. The original lease agreement was due to expire on November 30, 2013. On January 1, 2012, the Society entered into a new agreement which extended its office space lease for an additional five years to December 31, 2018. The office relocation required the Society to incur moving costs and invest in leasehold improvements. However, the Society received rent allowances and certain leasehold inducements to offset the outlays. The lease inducements and rent are being recognized on a straight-line basis over the term of the lease.

Transactions during the year include:

	Leasehold improvements $	Rent allowance $	2012 $	2011 $
Additions	311,662	36,910	348,572	-
Amortized to expense	(22,261)	(2,263)	(24,524)	-
Ending balance	289,401	34,647	324,048	-

Notes to Financial Statements (continued)

June 30, 2012

9. Invested in capital assets

Significant capital assets include furniture, office equipment and leasehold improvements.

Net assets invested in capital assets is calculated as follows:

	2012 $	2011 $
Capital assets (note 6)	498,093	180,637
Deferred Leasehold Improvements (note 8)	(289,401)	-
	208,692	180,637

Change in net assets invested in capital assets is calculated as follows:

	2012 $	2011 $
Excess of revenue over expenditure		
Amortization of capital assets	(100,162)	(76,200)
Loss on disposal of capital assets	(51,306)	-
Amortization of deferred leasehold improvements (note 8)	22,261	-
	(129,207)	(76,200)

	2012 $	2011 $
Investment in Capital assets		
Capital Assets acquired	468,924	53,460
Leasehold Inducements (note 8)	(311,662)	-
	157,262	53,460

10. Interfund transfers

During the year, the Society transferred $100,000 (2011 - $80,500) to the stabilization reserve, $50,000 (2011 - $40,000) to the opportunity reserve and $31,264 (2011 - nil) to the capital expenditures reserve to increase these funds to the amount required by the Society's policies.

June 30, 2012

11. Commitment

The Society is committed to lease office premises under a lease ending December 31, 2018. Future minimum lease payments, including estimated operating costs, realty taxes and utilities are approximately as follows:

	$
2013	259,016
2014	267,101
2015	272,876
2016	275,648
2017	278,420
Subsequent years	417,630
	1,770,691

12. Capital disclosure

The Society's objectives in managing its capital, which it defines as its net assets, are to maintain a sufficient level to provide for normal operating requirements on an ongoing basis and special projects (note 2(a)), and to continue its mission as disclosed in note 1. The Society strictly monitors its capital in order to ensure it has sufficient capital before committing to expenditures. Changes in capital during the year are set out in the Statement of Changes in Net Assets.

13. Future accounting changes

In December 2010 the Accounting Standards Board ("AcSB") issued Part III of the CICA Handbook - Accounting to provide Canadian private sector not-for-profit organizations with a new financial reporting framework for fiscal years beginning on or after January 1, 2012.

Until Part III of the Handbook is adopted, the Society will continue to follow the pre-changeover accounting standards in Part V of the Handbook.

Management is currently evaluating the implications of Part III of the Handbook and is developing a plan to meet the timetable published by the AcSB for adoption.

We give your business a hand to succeed.

Hilborn Ellis Grant LLP
Chartered Accountants
Since 1930

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