

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

Financial Statements
June 30, 2014



August 20, 2014

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, 2014 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, 2014 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.

Other matter

The financial statements of The Toronto Society of Financial Analysts (operating as CFA Society Toronto) for the year ended June 30, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on August 21, 2013.

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, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	304,763	385,757
Short-term investments (note 5)	1,759,233	1,219,713
Accounts receivable	143,911	141,344
Prepaid expenses	113,922	88,847
Restricted cash (note 4)	61,921	64,592
	<u>2,383,750</u>	<u>1,900,253</u>
Long-term investments (note 5)	-	500,462
Capital assets (note 6)	295,553	380,914
Intangible assets (note 7)	30,859	14,520
	<u>2,710,162</u>	<u>2,796,149</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	214,777	229,556
Unearned revenue	451,790	462,556
Due to Canadian Advocacy Council (note 9)	39,975	42,646
	<u>706,542</u>	<u>734,758</u>
Deferred lease inducement (note 10)	238,546	287,592
	<u>945,088</u>	<u>1,022,350</u>
Net Assets		
Invested in capital assets	126,058	150,556
Stabilization reserve	715,000	715,000
Opportunities and technology reserve	500,000	500,000
Event cancellation reserve	100,000	100,000
Capital expenditures reserve	225,000	150,000
Unrestricted	99,016	158,243
	<u>1,765,074</u>	<u>1,773,799</u>
	<u>2,710,162</u>	<u>2,796,149</u>

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, 2014

	2014 \$	2013 \$
Revenues		
Membership dues	1,212,178	968,097
Program and sponsorship revenue	808,083	783,077
Member operations revenue	38,950	42,175
Membership placement services	268,500	230,850
Candidate education	75,000	62,687
CFA Institute discretionary grants	210,444	169,815
Facility services	53,439	53,358
Interest and miscellaneous income	40,711	40,708
	<hr/> 2,707,305	<hr/> 2,350,767
Expenditures		
Program expenses	629,119	591,234
Salaries and related benefits	1,050,576	980,417
Member operations expenses	301,314	319,400
Professional services	178,710	161,414
Rent and utilities	230,079	235,164
Marketing and development	66,704	73,590
Amortization	103,644	114,309
Office and general	44,241	59,375
Telecommunications and website	99,345	102,019
Meetings, conferences and honoraria	12,298	6,221
	<hr/> 2,716,030	<hr/> 2,643,143
Excess of expenditures over revenues for the year	<hr/> (8,725)	<hr/> (292,376)

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, 2014

							2014
	Invested in capital assets \$	Stabilization reserve \$	Opportunities and technology reserve \$	Event cancellation reserve \$	Capital expenditures reserve \$	Unrestricted \$	Total \$
Balance - Beginning of year	150,556	715,000	500,000	100,000	150,000	158,243	1,773,799
Excess of expenditures over revenues for the year (note 11)	(59,120)	-	-	-	-	50,395	(8,725)
Transfer to internally restricted funds (note 12)	-	-	-	-	75,000	(75,000)	-
Investment in capital assets (note 11)	34,622	-	-	-	-	(34,622)	-
Balance - End of year	126,058	715,000	500,000	100,000	225,000	99,016	1,765,074
							2013
	Invested in capital assets \$	Stabilization reserve \$	Opportunities and technology reserve \$	Event cancellation reserve \$	Capital expenditures reserve \$	Unrestricted \$	Total \$
Balance - Beginning of year	208,692	1,028,000	514,000	188,000	75,000	52,483	2,066,175
Excess of expenditures over revenues for the year (note 11)	(69,786)	-	-	-	-	(222,590)	(292,376)
Transfer to internally restricted funds (note 12)	-	(313,000)	(14,000)	(88,000)	75,000	340,000	-
Investment in capital assets (note 11)	11,650	-	-	-	-	(11,650)	-
Balance - End of year	150,556	715,000	500,000	100,000	150,000	158,243	1,773,799

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, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of expenditures over revenues for the year	(8,725)	(292,376)
Items not involving cash		
Amortization		
Capital and intangible assets	103,644	114,309
Deferred lease inducement	(49,046)	(49,045)
Rent allowance	-	12,589
	<hr/> 45,873	<hr/> (214,523)
Change in non-cash working capital		
(Increase) decrease in accounts receivable	(2,567)	76,200
Increase in prepaid expenses	(25,075)	(24,125)
Decrease in restricted cash	2,671	17,156
Decrease in accounts payable and accrued liabilities	(14,779)	(51,689)
(Decrease) increase in unearned revenue	(10,766)	235,249
Decrease in due to CAC	(2,671)	(9,735)
	<hr/> (7,314)	<hr/> 28,533
Investing activities		
Purchase of investments	(826,118)	(534,023)
Proceeds from sale of investments	787,060	696,799
Purchase of capital assets	(12,553)	(11,281)
Proceeds on disposal of capital assets	-	14,151
Purchase of intangible assets	(22,069)	(14,520)
	<hr/> (73,680)	<hr/> 151,126
Change in cash and cash equivalents during the year	(80,994)	179,659
Cash and cash equivalents - Beginning of year	<hr/> 385,757	<hr/> 206,098
Cash and cash equivalents - End of year	<hr/> 304,763	<hr/> 385,757
Cash and cash equivalents consist of		
Cash	210,850	119,642
Interest bearing cash held in investment accounts	93,913	266,115
	<hr/> 304,763	<hr/> 385,757

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, 2014

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:

- 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 Society 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 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

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

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

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

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

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

Net assets

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

- a) Investment in capital assets represents the Society's net investment in capital assets purchased with Society funds, less accumulated amortization thereon since acquisition.
- b) Stabilization reserve represents an internally restricted fund to ensure the continuity of the Society by providing a liquidity reserve.
- c) 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.
- d) 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.
- e) 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

The Society initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost. The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, short and long-term investments, accounts receivable and restricted cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Canadian Advocacy Council (CAC).

Financial assets are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset, a writedown is recognized in the statement of operations. The writedown reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset; and
- the amount that could be realized by selling the assets.

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

If events and circumstances reverse in a future period, the impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Cash and cash equivalents

Cash consists of cash balances with major financial institutions. Cash equivalents consist of short-term investments in high-grade commercial paper with an original maturity of three months or less from the date of acquisition.

Capital and intangible 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 its 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.

Capital assets are tested for impairment whenever events or changes in circumstances indicate their carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of capital assets is charged to operations in the period in which the impairment is determined.

An impairment loss is not reversed if the fair value of the capital assets subsequently increases.

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
Website design	3 years

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

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.

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

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 liabilities and the disclosure of contingent assets and liabilities (if any) at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the current estimates. The estimates are reviewed periodically and as adjustments become necessary they are reported in the statement of operations and changes in net assets in the period in which such adjustments become known.

3 Financial instruments

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations as at June 30, 2014.

The financial instruments of the Society and the nature of the risks to which it may be subject are as follows:

	Risks					
	Credit	Liquidity	Concentration	Market risk		
Currency				Interest rate	Other price	
Cash and cash equivalents	X					
Short-term investments	X					
Accounts receivable	X		X			
Restricted cash	X					
Long-term investments	X					
Accounts payable and accrued liabilities		X				
Due to CAC		X				

Credit risk

The Society is exposed to credit risk resulting from the possibility that parties may default on their financial obligations if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations, which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Society could incur a financial loss. The Society does not hold directly any collateral as security for financial obligations of counterparties.

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

The maximum exposures of the Society to credit risk are as follows:

	2014 \$	2013 \$
Cash and cash equivalents	304,763	385,757
Short-term investments	1,759,233	1,219,713
Accounts receivable	143,911	141,344
Restricted cash	61,921	64,592
Long-term investments	-	500,462
	<hr/> 2,269,828	<hr/> 2,311,868

Credit risk associated with cash and cash equivalents, short-term investments, 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.

Liquidity risk

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 CAC of \$254,752 (2013 - \$272,202).

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 to the Society is low.

Concentration risk

Concentration of risk arises from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The Society is exposed to concentration risk in its accounts receivable as the majority of its debtors operate in the Canadian financial services, investments and finance education sectors. In the opinion of management the concentration risk exposure to the Society is low.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

- Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the Society is the Canadian dollar. Except for transactions with the CFA Institute, the Society infrequently transacts in U.S. dollars. The Society reduces its exposure to currency risk by using a predetermined annual exchange rate for all transactions with the CFA Institute. In the opinion of management the currency risk exposure is low

- Interest rate risk

Interest rate risk is the risk that the Society has interest rate exposure on financial obligations bearing variable interest rates. In the opinion of management the Society is not exposed to interest rate risk as the Society has no such financial obligations.

- Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Society is not exposed to other price risk.

4 Restricted cash

Restricted cash is comprised of a balance held in trust for the Canadian Advocacy Council in the amount of \$39,975 (2013 - \$42,646) (note 9) 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 \$12,774 (2013 - \$12,774) 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 \$9,172 (2013 - \$9,172) are to be used for the development and provision of webcasts.

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

5 Investments

Short-term investments

	2014		2013	
	Market \$	Cost \$	Market \$	Cost \$
Savings account	498,564	-	208,212	-
Ontario savings bond	500,462	500,000	-	-
Guaranteed investment certificates	760,207	750,000	1,011,501	1,000,000
	<u>1,759,233</u>	<u>1,250,000</u>	<u>1,219,713</u>	<u>1,000,000</u>

Short-term investments are comprised of investments that are realizable within one year from the date of the statement of financial position, as well as investments that are reasonably prompt to liquidation. The Ontario savings bond matures June 21, 2015 with a current annual yield of 4.25%. The bond is putable on its anniversary date. The guaranteed investment certificates are held with Schedule A banks, mature between October 13, 2014 and December 5, 2016 and earn interest at rates ranging from 2.00% to 2.05%. The investment certificates are classified as short-term due to their liquid nature.

Long-term investments

	2014		2013	
	Market \$	Cost \$	Market \$	Cost \$
Ontario savings bond	-	-	500,462	500,000

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

6 Capital assets

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	229,858	166,421	63,437	90,124
Leasehold improvements	340,024	120,991	219,033	267,733
Computer equipment	97,658	84,575	13,083	23,057
	667,540	371,987	295,553	380,914

7 Intangible assets

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Website design	69,053	38,194	30,859	14,520

8 Accounts payable and accrued liabilities

	2014 \$	2013 \$
Accounts payable and accrued liabilities	212,588	228,951
Government remittances	2,189	605
	214,777	229,556

9 Due to CAC

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:

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

	2014 \$	2013 \$
Balance - Beginning of year	42,646	52,381
Receipts	109,102	103,790
Disbursements	(111,773)	(113,525)
	<hr/>	<hr/>
Balance - End of year	39,975	42,646

10 Deferred lease inducement

During the year ended June 30, 2012, 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:

	<hr/>		2014	<hr/>	2013
	Leasehold improvements \$	Rent allowance \$	Total \$		Total \$
Opening balance	244,878	42,714	287,592		324,048
Additions	-	-	-		12,589
Amortized to expense	(44,524)	(4,522)	(49,046)		(49,045)
	<hr/>	<hr/>	<hr/>		<hr/>
Closing balance	200,354	38,192	238,546		287,592

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

11 Investment in capital assets

Significant capital assets include furniture, office equipment and leasehold improvements. Net assets invested in capital assets are calculated as follows:

	2014 \$	2013 \$
Capital assets (note 6)	295,553	380,914
Intangible assets (note 7)	30,859	14,520
Deferred lease inducement (note 10)	(200,354)	(244,878)
	126,058	150,556

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

	2014 \$	2013 \$
Excess of expenditures over revenues		
Amortization of capital and intangible assets	(103,644)	(114,309)
Amortization of deferred lease inducement (note 10)	44,524	44,523
	(59,120)	(69,786)
	2014 \$	2013 \$
Investment in capital assets		
Capital and intangible assets acquired	34,622	11,650

12 Interfund transfers

During the year, the Society made transfers to or from the following net asset accounts to adjust these funds to the amount required by the Society's policies:

	2014 \$	2013 \$
Transfer to (from) stabilization reserve	-	(313,000)
Transfer to (from) opportunities and technology reserve	-	(14,000)
Transfer to (from) events cancellation reserve	-	(88,000)
Transfer to (from) capital expenditures reserve	75,000	75,000

The Toronto Society of Financial Analysts

(operating as CFA Society Toronto)

Notes to Financial Statements

June 30, 2014

13 Commitment

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

	\$
2015	272,876
2016	275,648
2017	278,420
2018	278,420
2019	139,210
Thereafter	-
	<u>1,244,574</u>

14 Comparative figures

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