



Chartered Professional Accountants of Alberta

Financial Statements

For the year ended March 31, 2024

Management's Responsibilities for Financial Reporting

The accompanying financial statements of the Chartered Professional Accountants of Alberta ("CPA Alberta") and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

CPA Alberta maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that CPA Alberta's assets are appropriately accounted for and adequately safeguarded.

The CPA Alberta Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for the financial statements. The Board carries out this responsibility principally through its Audit and Risk Committee (the "Committee").

The Committee, which is comprised of certain board members, reviews the financial statements and other information contained in the annual report and recommends them to the Board for approval. The Committee meets with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues, to satisfy itself that each party is discharging its responsibilities properly, and to review the financial statements, and the external auditor's report. The Committee also recommends the appointment of the external auditor, which is appointed by the members at the Annual General Meeting.

The financial statements have been audited by Grant Thornton LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the members. Grant Thornton LLP has full and free access to the Committee.

Rachel Miller FCPA, FCA
Chief Executive Officer

Min Yao, CPA, CMA
Chief Financial Officer

June 12, 2024

Independent Auditor's Report

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To the Members of the
Chartered Professional Accountants of Alberta

Opinion

We have audited the financial statements of the Chartered Professional Accountants of Alberta (the "Organization"), which comprise of the statement of financial position as at March 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chartered Professional Accountants of Alberta as at March 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We have obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Canada
June 12, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Chartered Professional Accountants of Alberta

Statement of Financial Position

As at March 31, 2024

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,647,282	\$ 5,993,635
Accounts receivable (Notes 7-8)	8,241,570	6,644,864
Prepaid expense	431,913	394,822
Deposits	146,383	119,549
Loan receivable (Note 7b)	-	241,969
Short term investments (Note 3)	44,460	-
	<u>13,511,608</u>	<u>13,394,839</u>
Non-Current Assets		
Long term investments (Note 3)	9,314,818	8,461,091
Tangible capital assets (net) (Note 4)	2,780,097	3,382,468
Intangible capital assets (net) (Note 4)	4,470,599	4,767,601
Asset for implementation of software services (Note 5)	249,766	380,743
	<u>16,815,280</u>	<u>16,991,903</u>
	<u>\$ 30,326,888</u>	<u>\$ 30,386,742</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 7, 9-11)	\$ 4,315,453	\$ 4,865,203
Deferred revenue (Note 7b)	10,039,730	8,954,774
	<u>14,355,183</u>	<u>13,819,977</u>
Non-Current Liabilities		
Deferred lease incentives (Note 10)	2,807,013	3,375,339
	<u>2,807,013</u>	<u>3,375,339</u>
	<u>17,162,196</u>	<u>17,195,316</u>
Net Assets		
Invested in tangible and intangible capital assets	3,968,997	4,300,044
Internally restricted (Note 12)		
Regulatory Fund	1,000,000	1,000,000
CPA Assist	815,564	830,600
Education Fund (Note 13)	1,769,104	2,187,981
Application and Technology Fund	1,446,822	1,500,000
Unrestricted net assets	4,164,205	3,372,801
	<u>13,164,692</u>	<u>13,191,426</u>
	<u>\$ 30,326,888</u>	<u>\$ 30,386,742</u>

Commitments (Note 6)

Approved on behalf of the CPA Alberta Board

Ruth McHugh, FCPA, FCMA
Board Chair

Rachel Miller, FCPA, FCA
Chief Executive Officer

The accompanying notes are an integral part of these financial statements

Chartered Professional Accountants of Alberta

Statement of Operations

For the year ended March 31, 2024

	<u>2024</u>	<u>2023</u>
Revenues		
Membership fees	\$ 15,716,101	\$ 14,800,124
Pre-certification learning (Note 7)	15,115,678	15,315,908
Public accounting and registration fees	4,265,437	4,119,164
Post-certification learning (Note 7)	3,077,875	3,420,556
Cost recoveries and fines (Note 7)	929,390	1,022,760
Member events and career services (Note 7)	458,142	626,379
Other income	143,836	136,477
	<u>39,706,459</u>	<u>39,441,368</u>
Expenses		
Pre-certification learning (Note 7)	13,629,763	14,857,328
Administration (Note 4)	11,368,882	11,862,304
Regulatory	7,190,171	6,265,055
Member services (Note 5)	5,972,004	7,556,561
Communications and recruitment	2,848,197	2,913,077
	<u>41,009,017</u>	<u>43,454,325</u>
Operating deficiency of revenues over expenses	(1,302,558)	(4,012,957)
Investment income (Notes 3, 7)	<u>1,275,824</u>	<u>312,212</u>
Deficiency of revenues over expenses	<u><u>\$ (26,734)</u></u>	<u><u>\$ (3,700,745)</u></u>

Chartered Professional Accountants of Alberta

Statement of Changes in Net Assets For the year ended March 31, 2024

	Invested in tangible and intangible capital assets	Internally restricted	Unrestricted	2024	2023
Balance, beginning of year	\$ 4,300,044	\$ 5,518,581	\$ 3,372,801	\$ 13,191,426	\$16,892,171
(Deficiency) excess of revenue over expenses	(764,842)	(463,913)	1,202,021	(26,734)	(3,700,745)
Purchase of capital assets	433,795	(23,178)	(410,617)	-	-
Balance, end of year	\$ 3,968,997	\$ 5,031,490	\$ 4,164,205	\$ 13,164,692	\$13,191,426

Internally restricted fund comprises of:

	Regulatory Fund	CPA Assist	Education Fund	Technology and Application Fund	2024	2023
Balance, beginning of year	\$ 1,000,000	\$ 830,600	\$ 2,187,981	\$ 1,500,000	\$ 5,518,581	\$ 5,879,878
Deficiency of revenue over expenses (Note 13)	-	(15,036)	(418,877)	(30,000)	(463,913)	(361,297)
Purchase of capital assets	-	-	-	(23,178)	(23,178)	-
Balance, end of year	\$ 1,000,000	\$ 815,564	\$ 1,769,104	\$ 1,446,822	\$ 5,031,490	\$ 5,518,581

The accompanying notes are an integral part of these financial statements

Chartered Professional Accountants of Alberta

Statement of Cash Flows

For the year ended March 31, 2024

	2024	2023
Cash and cash equivalents provided by (used for) the following activities		
<i>Operating</i>		
Deficiency of revenue over expenses	\$ (26,734)	\$ (3,700,745)
Purchase of software services	(52,254)	(449,610)
	(78,988)	(4,150,355)
 Non-cash adjustments:		
Amortization of tangible and intangible capital assets (Note 4)	1,333,168	1,264,780
Amortization of deferred lease incentives (Note 10)	(568,326)	(599,165)
Amortization of software services (Note 5)	183,231	68,867
Loss on disposal of capital assets (Note 4)	-	4,533
Unrealized (gain) loss on investments (Note 3)	(627,724)	229,875
Realized loss (gain) on investments (Note 3)	11,166	(10,656)
	331,515	(958,234)
 Changes in non-cash working capital accounts (Note 14)	(883,455)	1,616,990
	(630,928)	(1,575,131)
 <i>Investing</i>		
Purchase of capital assets	(433,795)	(893,350)
Purchase of investments	(1,761,233)	(597,429)
Proceeds on sale of investments	1,479,603	50,547
	(715,425)	(1,440,232)
 Decrease in cash and cash equivalents	(1,346,353)	(3,015,363)
 Cash and cash equivalents, beginning of year	5,993,635	9,008,998
 Cash and cash equivalents, end of year	\$ 4,647,282	\$ 5,993,635

The accompanying notes are an integral part of these financial statements

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

1 Incorporation and nature of operations

The Chartered Professional Accountants of Alberta ("CPA Alberta") is a professional regulatory organization established by the Chartered Professional Accountants Act ("the Act"), and the purpose of CPA Alberta is to protect the interest of the public, protect the integrity of the profession, promote and increase the competence of registrants, and regulate the conduct of registrants.

As a not-for-profit organization under the Income Tax Act (Canada), CPA Alberta is not subject to income taxes.

2 Significant accounting policies

The financial statements of CPA Alberta ("financial statements") have been prepared in accordance with Part III of the CPA Canada Handbook, Canadian Accounting Standards for Not-for-Profit Organizations ("Part III"). Significant accounting policies are described below:

Cash and cash equivalents

Cash includes cash balances held in a bank account, less cheques issued and outstanding, plus cash held in a broker's account.

Measurement uncertainty

The preparation of financial statements in conformity with Part III requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible and intangible capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

Revenue recognition

CPA Alberta follows the deferral method of accounting. Revenue is recognized when evidence of an arrangement exists, the service has been rendered, the price is determinable, and collection is reasonably assured, as follows:

- Membership, public accounting, and registration fees are recognized as revenue in the year to which they relate. Fees received in advance of the membership year to which they relate are recorded as deferred revenue. Included in public accounting and registration fees are practice review fees that are recognized when practice review services are performed;
 - Pre-certification learning fees and post-certification learning fees are recognized as revenue in the year to which they relate or when the courses are presented;
 - Member events and career services registration fees, sponsorships and other related income are recognized when the event is held;
 - Cost recoveries and fines resulting from hearings and appeals are recognized when decisions are made while operating cost recoveries from related parties are recognized when services are performed; and
-

Chartered Professional Accountants of Alberta

Notes to Financial Statements For the year ended March 31, 2024

2 Significant accounting policies (continued)

- Investment income and other revenue is recognized as it is earned

Tangible and intangible assets

Capital assets (when a single asset, or multiple assets grouped together as appropriate, meets the capital asset criteria) are initially recorded at cost. Subsequently, they are recorded at cost less accumulated amortization and any provision for impairment. The cost of capital assets made up of significant separable component parts is allocated to the component part when practicable and when estimates can be made of the estimated useful lives of the separate components.

Amortization is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Rate
Furniture	5 to 10 years
Office equipment	5 years
Computer software and hardware	3 years
Leasehold improvements	Lease term
Artworks	Indefinite
Intangible capital assets	10 years

The expenditures incurred on internally generated intangible assets during the development phase of the new member management system and practice review systems are capitalized as intangible assets.

When conditions indicate a capital asset is impaired, the carrying value of the capital asset is written down to the asset's fair value or replacement cost. The write down of the capital asset is recorded as an expense in the statement of operations. A write down shall not be reversed.

Asset for implementation of software services

Expenses incurred for cloud computing arrangements, specifically attributable to preparing the software service for its intended use as an asset, are capitalized and amortized on a straight-line basis over the expected period of access to the service.

When conditions indicate the software service is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost. The write down of the asset is recorded as an expense in the statement of operations. A write down shall not be reversed.

Contributed materials and services

Contributed materials and services are recorded at fair value when the amount can reasonably be determined and would have been purchased by CPA Alberta if not contributed. Due to the difficulty of determining their fair value, volunteer services are not recognized in the financial statements. There were no contributed materials and services recorded for the years ended March 31, 2024 and March 31, 2023.

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

2 Significant accounting policies (continued)

Deferred lease incentives

Lease incentives received, including rent-free periods and tenant inducements for leasehold improvements, are recognized on a straight-line basis over the term of the lease as a reduction in rental expense reported under administration expenses.

Financial instruments

CPA Alberta initially measures financial assets and financial liabilities originated or exchanged in arm's length transactions at their fair value. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

CPA Alberta subsequently measures its financial assets and financial liabilities, other than investments, at amortized cost. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable and loan receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities. Investments are recorded at fair value.

With respect to financial assets measured at amortized cost, CPA Alberta recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

3 Investments

Long term investments consist of fixed income securities and domestic and global equity investments that can be readily liquidated. The distribution of the long-term investments, and change in market value, are as follows:

	March 31, 2024		March 31, 2023	
	Fair Value	Cost	Fair Value	Cost
Fixed income	\$ 4,952,412	\$ 5,291,500	\$ 4,718,798	\$ 5,171,092
Canadian equity	1,800,740	1,217,581	1,607,377	1,269,451
Global equity	2,606,126	2,110,247	2,134,916	1,908,322
	<u>\$ 9,359,278</u>	<u>\$ 8,619,328</u>	<u>\$ 8,461,091</u>	<u>\$ 8,348,865</u>
Investments maturing within one year	(44,460)	(44,294)	-	-
	<u>\$ 9,314,818</u>	<u>\$ 8,575,034</u>	<u>\$ 8,461,091</u>	<u>\$ 8,348,865</u>

The aggregated fair value of the long-term investments balance includes an accumulated unrealized gain of \$739,950 (2023 – \$112,226). In fiscal 2024, a realized loss of \$11,166 (2023 – realized gain of \$10,656) and an unrealized gain of \$627,724 (2023 – unrealized loss of \$229,875) are included in investment income. Annual interest rates on fixed income investments range from approximately 0.10% to 7.53% per annum and effective maturity dates range from April 2024 to January 2054. (In 2023, the annual interest rates on bonds ranged from 0.13% to 7.53% per annum, and maturity dates ranged from April 2023 to January 2053).

For the year ended March 31, 2024, cash earned interest aggregating \$399,700 (2023 - \$279,910) and long-term investments earned interest aggregating \$251,498 (2023 - \$242,794). Annual interest rates on cash in 2024 ranged from 4.60% to 5.30% per annum (2023 – 1.08% to 4.63% per annum).

4 Capital assets

	March 31, 2024			March 31, 2023
	Cost	Accumulated amortization	Net book value	Net book value
Furniture	\$ 1,735,422	\$ 1,287,588	\$ 447,834	\$ 606,428
Office equipment	701,843	665,223	36,620	52,895
Computer software and hardware	4,144,968	3,949,215	195,753	196,585
Leasehold improvements	5,126,782	3,054,032	2,072,750	2,499,420
Artworks	27,140	-	27,140	27,140
Tangible capital assets	<u>\$ 11,736,155</u>	<u>\$ 8,956,058</u>	<u>\$ 2,780,097</u>	<u>\$ 3,382,468</u>
Intangible capital assets	6,059,134	1,588,535	4,470,599	4,767,601
	<u>\$ 17,795,289</u>	<u>\$ 10,544,593</u>	<u>\$ 7,250,696</u>	<u>\$ 8,150,069</u>

Intangible assets totaling \$255,200 (2023 - \$0) related to the second phase of the practice review system refresh, were reported in development at year-end and have not been amortized. Amounts totaling \$1,063,301 related to the first phase of the practice review system refresh were placed into production and amortization commenced in April 2023.

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

4 Capital assets (continued)

For the year ended March 31, 2024, amortization of tangible and intangible assets amounted to \$753,578 (2023 - \$825,791) and \$579,590 (2023 - \$438,989), respectively, and is included in administration expenses. No gain or loss was recorded on assets disposed in the year (2023 – loss of \$4,533).

5 Asset for implementation of software services

	March 31, 2024			March 31, 2023
	Cost	Accumulated amortization	Carrying value	Carrying value
Software service	\$ 501,864	\$ 252,098	\$ 249,766	\$ 380,743

CPA Alberta implemented certain software services to support its e-commerce operations. The costs consist primarily of developer costs directly associated with preparing the asset for its intended use. The costs are amortized on a straight-line basis over the expected period of access to the service, which is 3 years. Amortization amounted to \$183,231 for the year ended March 31, 2024 (2023 - \$68,867) and is included in member services expense. In addition, amounts totaling \$72,400 (2023 - \$148,540) were incurred for maintenance activities relating to the software service. These are expensed as incurred and included in member services expense.

6 Commitments

Discipline

Under the Act, CPA Alberta is required to regulate the conduct of its members. At March 31, 2024, a number of investigations and hearings were in progress.

Contractual obligations

CPA Alberta has various leases for office space which expire between November 2026 and February 2032. The future minimum cash lease payments (exclusive of occupancy charges) are estimated as follows:

2025	\$ 1,204,628
2026	1,204,628
2027	996,394
2028	622,358
2029	622,358
Thereafter	1,815,211
	<u>\$ 6,465,577</u>

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

6 Commitments (continued)

Pledge commitments

Effective March 31, 2022, CPA Alberta entered into arrangements with the Governors of the University of Calgary and the Governors of the University of Alberta to support various projects until November 2030, subject to the fulfilment of obligations detailed in the respective agreements, which will provide CPA Alberta a number of sponsorship and recognition opportunities. The future commitment amounts for the year ending March 31 are as follows:

2025	\$ 194,500
2026	194,500
2027	194,500
2028	194,500
2029	194,500
Thereafter	388,500
	<u>\$ 1,361,000</u>

7 Related party transactions

(a) CPA Education Foundation

CPA Education Foundation ("the Foundation") is the charitable arm of the CPA profession in Alberta with the mandate to strengthen the future of the accounting profession, through partnerships, by supporting business education and students, and the incubation of innovative ideas. It is a public foundation registered under the Income Tax Act (Canada) and is incorporated under the *Societies Act of Alberta*, and as such is exempt from income taxes.

The Foundation is related to CPA Alberta through common management as its Executive Director is also the Chief Executive Officer ("CEO") of CPA Alberta. The CPA Alberta Board establishes the level of contributions to the Foundation by way of a component of fees assessed to members.

For the year ended March 31, 2024, on behalf of the Foundation, CPA Alberta collected and remitted \$1,771,048 (2023 – \$1,743,537) towards the Foundation's general revenue. The transactions are in the normal course of operations and are measured at cost.

During the year ended March 31, 2024, CPA Alberta has recovered \$451,074 (2023 – \$412,883) for operating costs incurred on behalf of the Foundation and are included in cost recoveries and fines. The transactions are in the normal course of operations and are measured at cost.

Amounts due from the Foundation as at March 31, 2024 totaled \$35,598 (2023 – \$41,853), and are included in accounts receivable. There are no amounts due to the Foundation as at March 31, 2024 (2023 - \$75 included in accounts payable and accrued liabilities).

(b) CPA Western School of Business

CPA Western School of Business ("CPAWSB") is responsible for delivering pre-certification educational, training, developmental and related administration services on behalf of the member

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

7 Related party transactions (continued)

organizations. The provincial chartered professional accountant organizations of Manitoba, Saskatchewan, Alberta and British Columbia are member organizations. In addition, CPAWSB supports candidates and training offices in the Yukon, Northwest Territories and Nunavut on the same basis as those in the member organizations. The member organizations are related to CPAWSB through significant influence, as the Board of Directors of the CPAWSB is comprised of the CEOs from the member organizations.

The member organizations maintain an agency relationship with CPAWSB through an operating agreement signed in April 2019, whereby the revenue collected and incurred by CPAWSB is allocated to each of the member organizations based on the number of learners in each province. The expenses incurred by CPAWSB are allocated to the member organizations based on the percentage of total student revenues earned by each province.

During the year ended March 31, 2024, CPA Alberta recovered \$249,814 (2023 – \$280,968) for operating costs incurred on behalf of CPAWSB and are included in cost recoveries and fines. The transactions are in the normal course of operations and are measured at cost.

Pre-certification learning revenues at March 31, 2024 total \$15,115,678 (2023 - \$15,315,908) while related expenses total \$13,629,763 (2023 - \$14,857,328).

Student fees CPAWSB collected on behalf of CPA Alberta for the billing year 2024/25 as at March 31, 2024 total \$5,470,557 (2023 - \$5,117,190) and are included in deferred revenue.

Amounts due from CPAWSB as at March 31, 2024 totaled \$6,953,678 (2023 – \$5,076,302), and are included in accounts receivable.

During the year ended March 31, 2023, CPA Alberta entered into a credit agreement with CPAWSB. The loan amount totaled \$358,259, bearing an interest rate of 5.3% per annum, and was payable on a quarterly basis until March 23, 2024. During the year ended March 31, 2024, the loan was fully repaid and there are no amounts owing as at March 31, 2024 (2023 - \$241,969). Interest earned in the year ended March 31, 2024 was \$8,068 (2023 - \$8,728) and is reported under investment income.

(c) CPA Insurance Plans West

CPA Insurance Plans West ("CPAIPW") provides insurance and other benefit programs exclusively to Chartered Professional Accountant firms, individual Chartered Professional Accountants and their dependents in Western Canada.

CPAIPW is a not-for-profit organization incorporated under the Canada Not-for-profit Corporations Act and is not subject to income taxes. The CPA Alberta Board appoints two persons to serve on the eight-person board of CPAIPW.

During the year ended March 31, 2024, CPA Alberta purchased benefit plan services for its employees from CPAIPW costing \$783,944 (2023 – \$713,781) and are included in salaries and benefits expense, which are allocated to four categories of business unit expenses. In addition, CPAIPW provided sponsorships of \$120,000 (2023 – \$120,000).

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

7 Related party transactions (continued)

These are allocated between post-certification learning, member events and career services revenue. The transactions are in the normal course of operations and are measured at cost.

Amounts due to CPAIPW as at March 31, 2024 totaled \$52,741 (2023 - \$0) and are included in accounts payable and accrued liabilities. There are no amounts due from CPAIPW as at March 31, 2024 (2023 - \$14,462 included in accounts receivable).

(d) Chartered Professional Accountants of Canada

CPA Alberta has an agreement with Chartered Professional Accountants of Canada ("CPA Canada") to work together to achieve a common mission and vision, administer their affairs in accordance with agreed principles, and to act in the spirit of utmost faith and trust to best serve the interests of the CPA profession and the public. Provincial bodies which govern Chartered Professional Accountants across Canada, such as CPA Alberta, fund the operations of CPA Canada through sharing national committee costs, marketing expenses, and collecting national member fees on its behalf.

Amounts due from CPA Canada as at March 31, 2024 totaled \$41,708 (2023 - \$106,434) and are included in accounts receivable. During the year, CPA Alberta incurred national committee costs of \$230,359 (2023 - \$537,269) and are included in CPA Canada shared committee costs which are allocated to four categories of business unit expenses. CPA Alberta also incurred pre-certification education and new certification program costs of \$582,768 (2023 - \$582,543) which are included in administration expenses. Amounts due to CPA Canada as at March 31, 2024 totaled \$133,532 (2023 - \$279,509) and are included in accounts payable and accrued liabilities. The transactions are in the normal course of operations and are measured at cost.

8 Accounts receivable

Accounts receivable is net of an allowance for doubtful accounts of \$764,967 (2023 - \$637,828).

9 Member fees and other amounts received in advance

Included in accounts payable and accrued liabilities are member fees collected in March 2024 for the 2024/25 billing year (Note 7(a) and Note 7(d)). These are amounts owing to CPA Canada of \$1,807,665 (2023 - \$1,570,438), and to the Foundation of \$333,053 (2023 - \$288,819). Amounts due will be paid within the next fiscal year with no interest charged.

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

10 Deferred lease incentives

Included in deferred lease incentives are cash allowances and lease incentives for both Calgary and Edmonton offices relating to their respective leasehold improvements. For the year ended March 31, 2024, rent expenses were reduced by \$568,326 (2023 – \$599,165) which represents the amortization of deferred lease incentives.

	March 31, 2024	March 31, 2023
Deferred lease incentive, beginning of year	\$ 3,850,024	\$ 4,449,189
Less: amortization	(568,326)	(599,165)
Deferred lease incentive, end of year	<u>\$ 3,281,698</u>	<u>\$ 3,850,024</u>
Current portion (included in accounts payable)	\$ 474,685	\$ 474,685
Long-term portion	\$ 2,807,013	\$ 3,375,339

11 Government remittances

Government remittances as at March 31, 2024 consisted of \$313,186 payable to government authorities (2023 - \$291,546) mainly relating to Goods and Services Tax.

12 Internally restricted net assets

Internally restricted net assets represent amounts the Board of Directors internally restricted for the cost related to:

- support the complexity of the regulatory process and any related unforeseen costs,
- providing CPA Alberta members, candidates and their immediate families assistance in addressing their personal or professional issues through the CPA Assist program,
- future development of the CPA Education program (Note 13), and
- future development of applications and technologies to support CPA Alberta's regulatory mandate.

These funds are not available for other purposes without the approval of the Board of Directors.

13 Education Fund

The Education Fund is comprised of resources to support investment into the future development of the CPA education program, and to provide a high quality, relevant learning environment to students and candidates. The fund will also serve to respond to significant fluctuations in revenue and expenses based on unforeseen changes in program enrollment. The Board of Directors approved a total contribution of \$2,500,000 into this fund. As at March 31, 2024, amounts of \$418,877 (2023 - \$312,019) relating to the development of the new certification program were utilized from this fund.

Chartered Professional Accountants of Alberta

Notes to Financial Statements

For the year ended March 31, 2024

14 Changes in non-cash working capital

	March 31, 2024	March 31, 2023
Change in:		
Accounts receivable	\$ (1,596,706)	\$ 2,030,658
Prepaid expense	(37,091)	(20,089)
Deposits	(26,834)	96,377
Loan receivable	241,969	(241,969)
Decrease (increase) in current assets	(1,418,662)	1,864,977
Accounts payable and accrued liabilities	(549,749)	639,620
Add back: change in current portion of lease incentive	-	26,078
Deferred revenue	1,084,956	(913,685)
Increase (decrease) in current liabilities	535,207	(247,987)
Changes in non-cash working capital	<u>\$ (883,455)</u>	<u>\$ 1,616,990</u>

15 Financial Instruments

CPA Alberta's risk exposures related to its financial instruments are outlined as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. CPA Alberta's main credit risk relates to its cash and cash equivalents, investments, and accounts receivable.

CPA Alberta mitigates its exposure to credit loss by placing its cash with major financial institutions. Accounts receivable are primarily from CPA Alberta's members, partners and CPA Canada. Management believes CPA Alberta's exposure to credit risk is not significant.

b) Liquidity risk

Liquidity risk is the risk that CPA Alberta will encounter difficulty in meeting obligations associated with financial liabilities. CPA Alberta is exposed to this risk mainly through its accounts payable and accrued liabilities. CPA Alberta mitigates its liquidity risk by monitoring its operating cash flow requirements to ensure it has sufficient funds to meet its obligations.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The investments of CPA Alberta are subject to interest rate risk because changing interest rates impact the market value of the fixed rate investments.

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Notes to Financial Statements

For the year ended March 31, 2024

15 Financial instruments (continued)

d) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CPA Alberta is exposed to currency risk through its investments in global markets.

e) Other price risk

Other price risk refers to the risk that the fair value of a financial instrument, or the future cash flows associated with the financial instrument, 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. CPA Alberta is exposed to other price risks through its investment in equity securities traded in an active market.

CPA Alberta manages its credit, interest rate and other price risk by restricting investments to a diverse range of domestic and global corporate equity investments, and government and corporate fixed income securities with specified ratings and terms as prescribed by CPA Alberta Board resolution.