



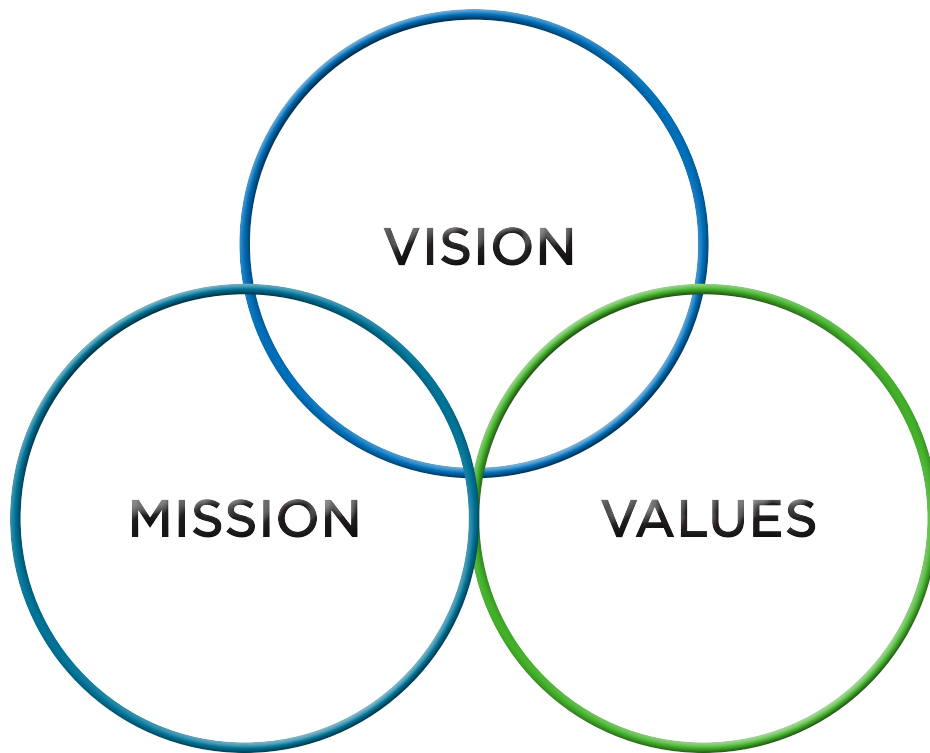
2019/2020

ANNUAL
REPORT



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
NEWFOUNDLAND
AND LABRADOR



VISION

The Canadian CPA is the pre-eminent, globally respected business and accounting designation.

MISSION

CPA Newfoundland and Labrador enhances the influence, relevance and value of the Canadian CPA profession by protecting the public and supporting its members and students.

VALUES

The profession is built on a number of key pillars, including integrity, excellence, trust & respect, accountability and professionalism. As an organization we also strive to maintain these core values in our day to day operations.

Annual Report | 2019-2020

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Message from the Chair

It has been a privilege and a pleasure to have served as the chair of CPA Newfoundland and Labrador for 2019-2020. 2020 has certainly brought its share of challenges and uncertainty as we cope with the effects of COVID-19 and the other social and economic issues that have arisen over the last year. I hope that all of our members and their families have been safe and healthy during these unprecedented times.

The Association of Chartered Professional Accountants of Newfoundland and Labrador remains strong as we continue to welcome new members to our Association. In February 2020 we had the pleasure of celebrating with 36 new graduates of the education program and welcomed our newest CPAs. Our new members achieved great success with the professional education program and we had a large number of awards to present this year to our new graduates. Looking forward, we currently have 192 candidates enrolled in the professional education program with another 99 students enrolled in preparatory courses to get ready for the professional program. While students work on various completion time-frames, we expect that approximately 60 writers will challenge the common final exam this year.

During our celebration with our newest members, we also had the honour of conveying the Fellowship designation (FCPA) on Colleen Menchions and Sharon Sparkes as well as the Early Achievement Award on Colin Ryan. We recognize and celebrate their outstanding contribution to the profession, our Association and the community as a whole.

We currently have a total active membership of 1,504 members with an additional 399 retired members, representing a total membership of 1,903.

With the presentation of the financial statements for our year ended March 31, 2020, I am pleased to report that the Association continues to have a strong base of net assets. This year the Association continued to experience higher than anticipated disciplinary costs which contributed to an excess of expenditures over revenue for the year. The board is focused on ensuring that the Association maintains an appropriate net asset level to retain for the protection and security of the public and Association going forward, while balancing the need to increase the value proposition for the membership.

As an Association, we continue to look at avenues to improve the professional development that we offer to our members. Our goal is to both enrich the skills and competencies of our members, while at the same time ensuring that our members are ready and able to protect the public interest, so they continue to have faith and trust in our services.



In the coming year, your Association will continue to be focused on maintaining operations and service levels to the membership while looking to the future. We appreciate that we operate in an evolving and fast changing environment, and we continue to assess the landscape of the accounting profession in our ongoing discussions and meetings with CPA Canada and with our colleagues from across the country. We understand that there are new challenges and opportunities arising from technology and globalization and appreciate that the professional development and professional education program will need to evolve continually to prepare our members and future members for the profession of the future.

I encourage all members to consider how they can help support the profession moving forward, whether through direct involvement with the Association or by contributing in other ways. With the rapid pace of change and disruption we experience today, we all need to work together to ensure we are protecting the public interest and maintaining the Canadian Ideal of Good Business.

Troy Stanley, CPA, CA
Chair

Message from the CEO

This year marks the fifth full year of operations for CPA Newfoundland and Labrador. The profession has made significant strides during that time, including process improvements, alignment within the regulatory regime and enhanced access to the profession.

However, 2019 – 2020 has certainly presented its challenges. The September 2019 Common Final Examination had a significant number of technology challenges, which has been a focal point of the profession’s attention and the global COVID-19 pandemic declared on March 11, 2020, brings with it a whole other host of challenges. As a result of the COVID-19 pandemic, I have taken an active role as Executive Sponsor on a national COVID-19 Education Advisory Committee. This committee is focused on the delivery of core CPA Education components during the pandemic, including Preparatory and Professional Education Program courses and exams as well as the 2020 Common Final Examination.



As always, CPA Newfoundland and Labrador remains focused on our legislative mandate of protecting the public, ensuring we fulfill our self-regulated profession responsibilities. The Association’s operations centre around the delivery of the processes that serve this objective, inclusive of our practice inspection program, regulatory regime, registration requirements and the overall disciplinary processes.

This year we have seen an increase in the volume and complexity of disciplinary matters processed through the Association. As a result of this increase, there has been a negative impact on the organization’s financial results for the year,

fortunately CPA Newfoundland and Labrador has been able to maintain its net assets in accordance with its net asset policy that enables resilience of the profession during challenging years like this one.

In response to the financial challenges faced during the year, fees for the 2020-21 increased moderately to cover some of the expected shortfall. We have also taken strides to reduce expenses over the longer term. Some of those changes will improve the 2020-21 fiscal performance, while some will provide greater benefit in the years to come. However, it is expected that the COVID-19 pandemic situation will have an additional negative impact on the performance of the Association for 2020-21 which was not anticipated during the budgeting process. We have taken steps to minimize the impact on the Association and continue to look forward to grow and strengthen the profession in Newfoundland and Labrador.

As a profession, we are committed to attracting the best and brightest to the CPA profession. Through the support of government and alignment with their attraction strategy for foreign workers, CPA Newfoundland and Labrador has completed a project to make more information readily available to foreign trained professionals, highlighting the pathways that exist for their entry into the Accounting profession in Newfoundland and Labrador. In addition, we continue to work with the CPA Atlantic School of Business to attract students in to the profession and we are pleased to see an increase in the number of students enrolled.

Nationally, the team at CPA Newfoundland and Labrador have been involved in all core committees that support the profession, ensuring that the Newfoundland and Labrador voice is included as initiatives are considered on a nationwide scale. Strategically, we continue to monitor and shape the future of the profession, recognizing the significant change we will experience in the years ahead through the evolution of our role in the digital realities we are facing.

The future of the profession is bright and filled with opportunities, I look forward to the year ahead as we continue to evolve the profession.

Jason Hillyard, CPA, CGA
Chief Executive Officer

2019-20 Board of Directors

Chair



Troy Stanley, CPA, CA

Vice Chair



Neil Pittman, FCPA, FCMA

Secretary/Treasurer



Pauline Downer, FCPA, FCA

Directors



Steve Bragg, CPA, CA



Colin Corcoran, CPA, CMA



Lynn Healey, CPA, CA



Rob Hull, CPA, CA



Terry Hutchings, FCPA, FCGA



Lana Littlejohn, CPA, CMA



Trevor McCormick, FCPA, FCGA



Beth Porter, CPA, CA

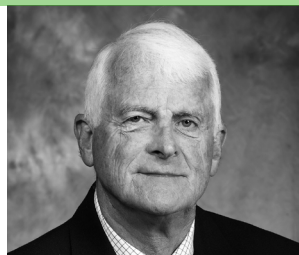


Colin Sullivan, CPA

Public Representatives



Tom Cooper, PhD



Stephen McLean, P. Eng.
(Retired)



Wayne Miles, QC



Derek Sullivan

CPA Newfoundland and Labrador Committees

COMMITTEES OF THE BOARD

COMPLAINTS AUTHORIZATION

Beth Porter, Chair
Pauline Downer, Vice Chair
Rob Hull
Terry Hutchings
Trevor McCormick
Wayne Myles
Neil Pittman
Troy Stanley
Derek Sullivan

HUMAN RESOURCES

Troy Stanley, Chair
Pauline Downer
Stephen McLean
Neil Pittman

DISCIPLINE ADVISORY

Troy Stanley, Chair
Tom Cooper
Pauline Downer
Neil Pittman
Beth Porter

MEMBERSHIP & LICENSING

Derek Sullivan, Chair
Tom Cooper
Lynn Healey
Terry Hutchings

BOARD ADVISORY COMMITTEES

AUDIT & INVESTMENT

Pauline Downer, Chair
Terry Hutchings
Lana Littlejohn
Colin Sullivan

GOVERNANCE & NOMINATING

Lynn Healey, Chair
Lana Littlejohn
Neil Pittman

REGULATORY ADVISORY

Beth Porter, Chair
Sharon Forsey
Lana Littlejohn
Trevor McCormick
Steve Walters

MEMBER RECOGNITION

Jesse DeVilla
David Hood
Trevor McCormick
David Pine
Ron Walsh
Peter Winters

STRATEGIC PLANNING

Tom Cooper, Chair
Ryan Antle
Colin Corcoran
Kealey Martin
Monica Moody
Jason Silver

MANAGEMENT COMMITTEES

GOVERNMENT RELATIONS

Colin Corcoran
Chris Humby
James Reid
Phil Sceviour
Troy Stanley

OFFICE PRACTICE INSPECTION

Fred Earle, Chair
Jesse Devilla
Katie Hoskins
Morris Pinsent
Bonnie Scott
Byron Smith
Lesley White

OTHER

DISCIPLINARY PANEL

Cheryl Whitten, Chair
Elyse Bruce
Peter Collens
Eric Coombs
Todd Doman
Frank Dormody
Wilson Hoffe (in part)

Christian Hurley
Mark Hynes (in part)
Thomas Kendall
Glenn Mifflin
Kelsey Montgomery
Douglas Munn
Todd Organ (in part)

Donald Powell (in part)
Philip Quinlan
Wilbur Rice (in part)
Greg Roberts
Brenda Rose
Brian Whiteway

Representatives on National Boards/Committees

CONTINUING PROFESSIONAL DEVELOPMENT STANDING COMMITTEE

Kim Mayo

COUNCIL OF CHAIRS

Troy Stanley

Neil Pittman

COUNCIL OF CHIEF EXECUTIVES

Jason Hillyard

NATIONAL CONDUCT AND DISCIPLINE STANDING COMMITTEE

Kathryn Mercer-Oliver

MEMBER ADVISORY SERVICES GROUP

Kim Mayo

PRACTICE INSPECTION PROGRAM STANDING COMMITTEE

Kim Mayo

PROFESSIONAL LEARNING AND DEVELOPMENT PROGRAMS COMMITTEE

Nancy Ollerhead

PROFESSIONAL LEARNING AND DEVELOPMENT STRATEGY COMMITTEE

Jason Hillyard

REGISTRATION TASK FORCE

Kathryn Mercer-Oliver

Representatives on Regional Boards/Committees

ATLANTIC REGIONAL FORUM

Jason Hillyard

Neil Pittman

Troy Stanley

ATLANTIC SCHOOL OF BUSINESS

Beth Porter, Chair

Pauline Downer, Director

Welcome to New Members

BY EXAMINATION

Tyler Bennett
Justin Brennan
Megan Budgell
Ashley Buglar
Mark Cashin
Mathew Coombs
Alex Crawley
Justin Cutler
Koral Edmunds
Kerrilyn Evans
Sarah Garland

Amy Graham
Nancy Leanne Hanlon
Jessica Hicks
Adrienne Hyde
Joshau Lau
Zoe LeBlanc
Darlington Mandondo
Dennis Mawora
Ryan Meaney
Michelle Miller
Kaylee Morrison

Danielle Murphy
Michelle Noseworthy
Haley Reynolds
Brandon Ridgway
Karamjeet Sangha
Marcus Seward
Colin Thomas
Xin Wang
Stephanie Warren
Melanie White

TRANSFER IN

Mohamed Alloh (MRA)
Julia Byrne
Brandon Feltham
Jennifer Feltham

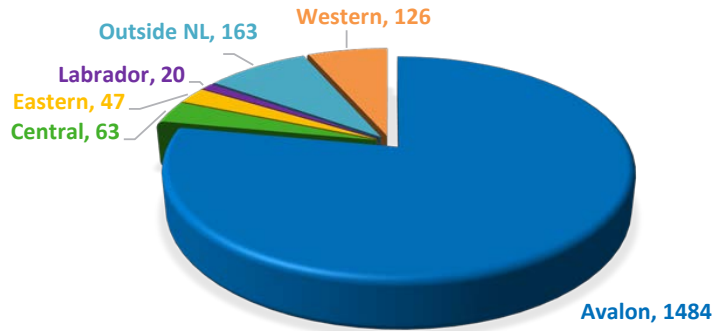
Donald Flinn (affiliate)
Michael Hawtin (affiliate)
Jonathan Josephson
Kristen Keats

Kristie Korbo
Denis Smith (affiliate)

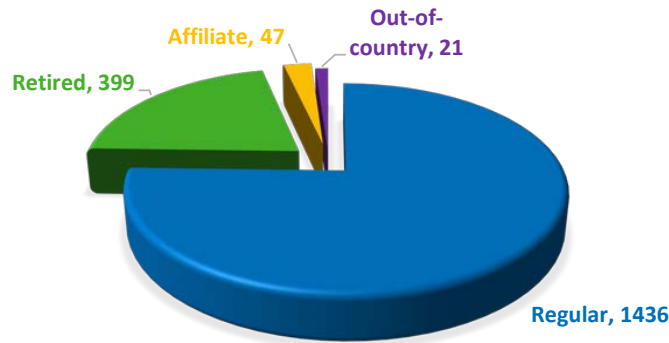
CPA Member Demographics

TOTAL MEMBERSHIP - 1,903

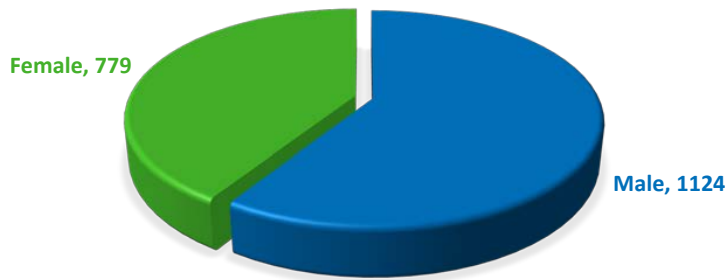
MEMBERS BY REGION



MEMBERS BY STATUS

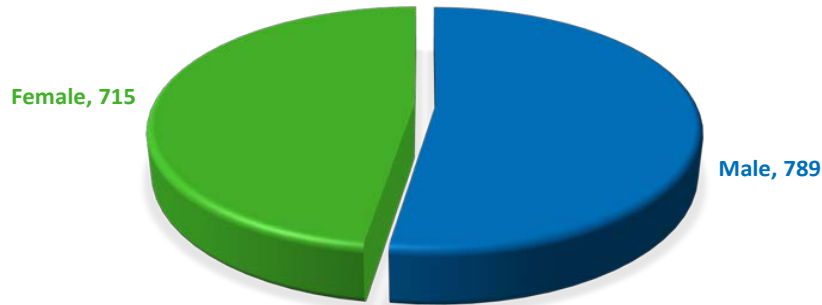


MEMBERS BY GENDER

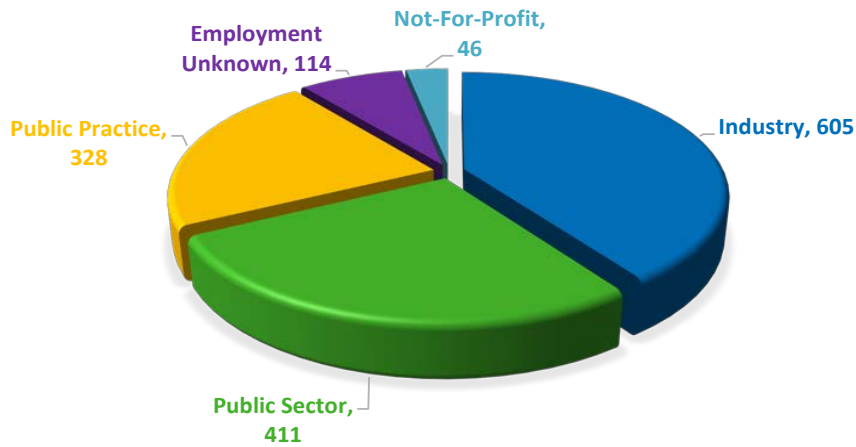


NON-RETIRED MEMBERS - 1,504

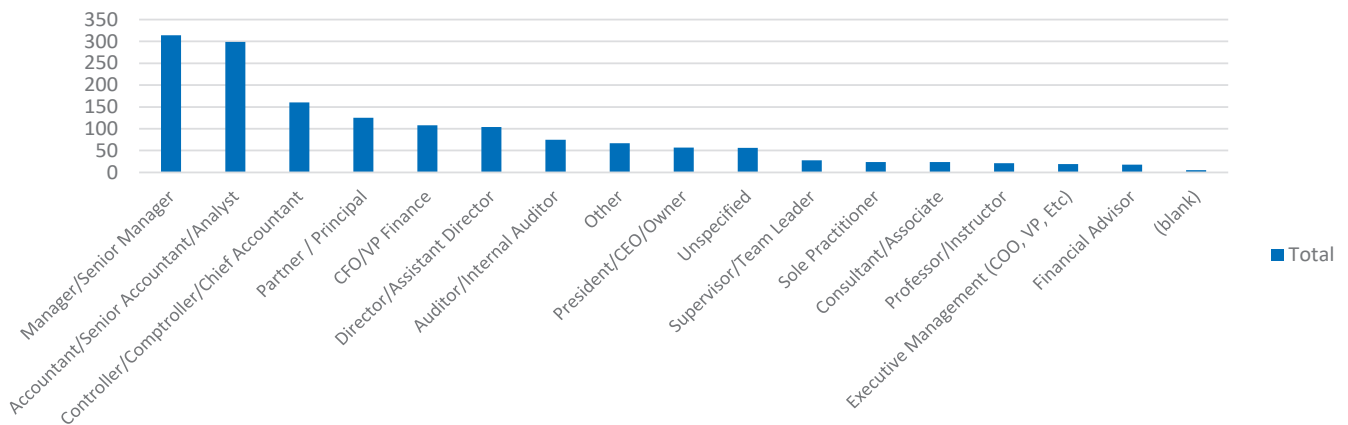
NON-RETIRED MEMBERS BY GENDER



NON-RETIRED MEMBERS BY SECTOR



NON-RETIRED MEMBERS BY POSITION TYPE



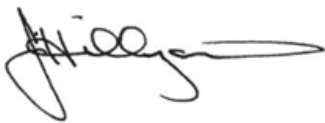
Statement of Management Responsibility

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the Association's management. Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, choosing those which it considers most appropriate to the Association's circumstances, and applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 1 to the financial statements.

The Management Discussion and Analysis (MD&A) has been prepared in a manner consistent with the spirit and broad framework articulated by the CPA Canada's Canadian Performance Reporting Initiative Board in its document Management's Discussion and Analysis: Guidance on Preparation and Disclosure. The MD&A includes forward-looking information. Actual results in the future may differ materially from this information; however, because future events and circumstances are not always within management's control, they may not occur as expected. Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. These systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through the Audit and Investment Committee. The Audit and Investment Committee of the Board meets with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements and to report to the Board thereon.

Coombs and Associates, Chartered Professional Accountants have been appointed as the Association's auditors to express their opinion on the fair presentation of the financial statements. They have full and unrestricted access to the Audit and Investment Committee and management to discuss matters pertaining to their audit. The Audit and Investment Committee annually undertakes a formal review of the auditor's performance and makes recommendations to the Board with respect to reappointment for the coming year.



Jason Hillyard, CPA, CGA
Chief Executive Officer

Management Discussion & Analysis

MISSION

The mission of the Association of Chartered Professional Accountants of Newfoundland and Labrador is to enhance the influence, relevance and value of the Canadian CPA profession by protecting the public and supporting its members and students.

The Association of Chartered Professional Accountants of Newfoundland and Labrador is an incorporated self-regulatory professional body. CPA Newfoundland and Labrador has 1,903 members and 291 students registered in either our preparatory courses or the professional education program.

GOVERNANCE

Under *The Chartered Professional Accountants and Public Accountants Act, 2014*, the Board of CPA Newfoundland and Labrador is governed by 16 individuals, twelve CPA members appointed by the membership and four public representatives appointed by the Minister of Service Newfoundland and Labrador. To assist with governance, there are four Committees of the Board - Human Resources, Complaints Authorization, Membership & Licensing and Discipline Advisory. In addition to Committees of the Board, there are five Board Advisory Committees - Audit & Investment, Governance & Nominating, Member Recognition, Regulatory Advisory and Strategic Planning. There are two active Management Committees - Office Practice Inspection and Government Relations. Other special or advisory committees may be established from time to time.

The Board utilizes a Policy Governance model in governing the affairs of CPA Newfoundland and Labrador. The Board reviews its' Ends, Executive Limitations, Governance Process and Board-CEO Linkage policies annually and has approved minor changes during the year.

As well as managing the unique issues affecting CPAs in Newfoundland and Labrador, the Association works in partnership with the other provincial bodies of Chartered Professional Accountants and the Chartered Professional Accountants of Canada (CPA Canada) to develop national policies for critical profession-wide functions such as public trust, strategic planning for the profession, education and qualification, standard setting, branding and communications.

FINANCIAL PERFORMANCE

An annual budget, which includes capital requirements, is prepared by management and reviewed by the Board. The Association's annual budget is prepared on a break-even basis. The Board assesses the merits of the planned strategic initiatives with the budgeted cost, before setting membership fees at a level that facilitates a break-even budget position. For 2019-20 the Board approved membership fees consistent with the prior year and accepted a \$16,063 budget deficiency to be funded through accumulated net assets.

The Association's performance relative to its budget is monitored on an ongoing basis by the Board. Decisions by management to make expenditures which are unplanned or at levels which materially depart from the budget must be approved by the Board. When variances from budget exist, the Board assesses the variances and takes actions as it deems appropriate in the circumstances.

ACCOUNTING DISCLOSURES

The Association follows Canadian accounting standards for not-for-profit organizations (NFPOs).

FINANCIAL POSITION AND LIQUIDITY

At March 31, 2020, CPA Newfoundland and Labrador's net assets were \$1,150,001. This complies with the Board's Executive Limitation which requires that net assets not fall below the total annual membership fees for the year.

For the period ended March 31, 2020, the Association utilized \$297,887 in cash for operating activities with a cash flow from investing activities of \$390,925. Cash and cash equivalents consist of cash in the bank as well as short terms investments with maturities less than three months. Management believes that cash and cash

equivalents, together with highly liquid long-term investments and anticipated cash flow from operations, are sufficient to meet its working capital and capital expenditure requirements.

The Association has established a low risk investment policy and has secured investments which meet the policy requirements to hold cash in excess of short-term needs.

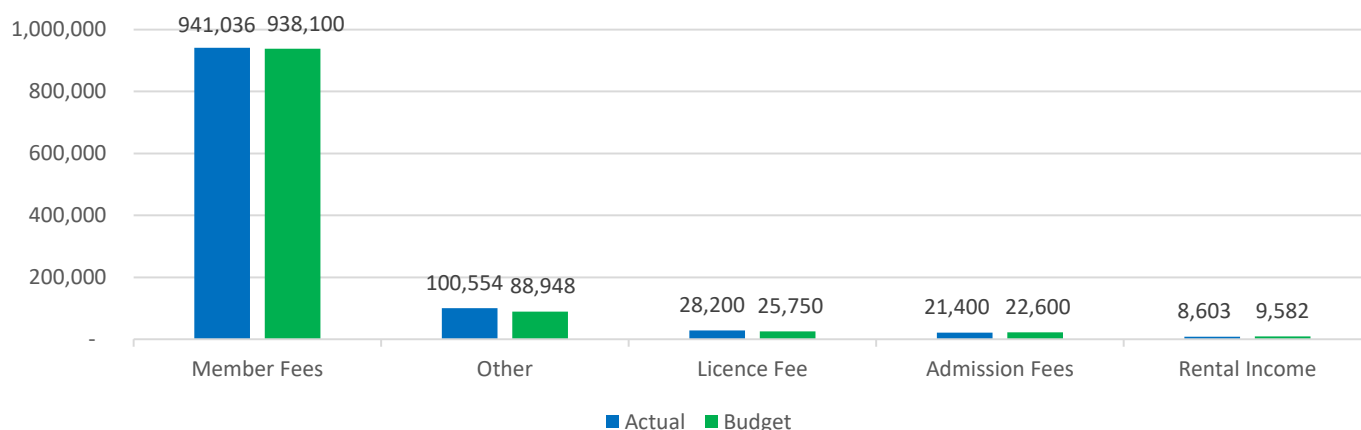
RESULTS OF OPERATIONS

Revenue from membership fees for the year ended March 31, 2020 was \$941,036, \$2,936 over budget due primarily to an increase in the number of members providing service to the public. The Association also generated revenue of \$28,200 from the issuance of public accountant licenses which was slightly over budget due to an increase in the number of licenced members through the year.

Rental income was \$980 less than budget and admission fees were also slightly lower than budget due to the timing of students meeting the practical experience requirements.

Other revenues totaled \$100,554 and included interest on financial holdings, convocation revenue, website advertising, administrative fees, sponsorships, post designation public accounting (PDPA) course and exam fees. This category was \$11,600 over budget due primarily to a increase in convocation attendance and administrative fees.

Revenue Overview - Actual vs Budget

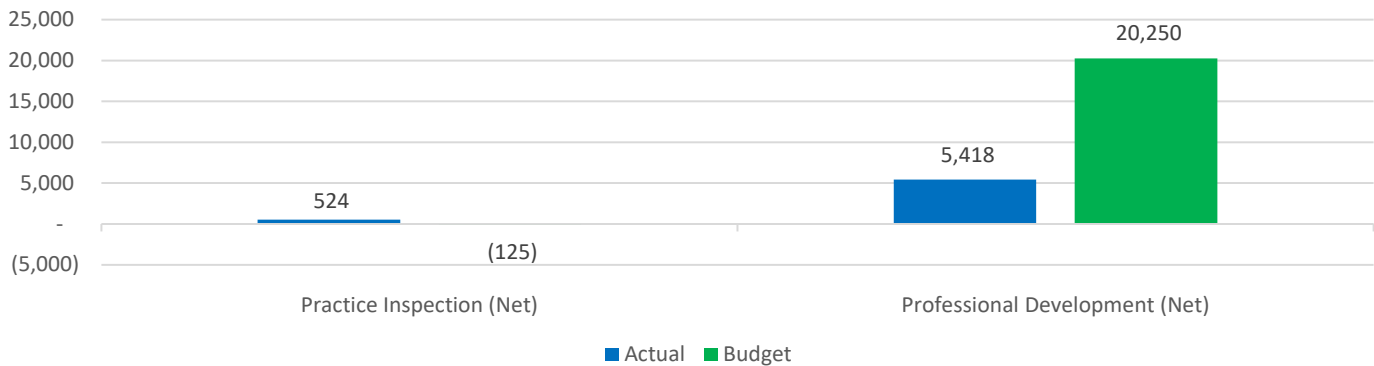


In addition to the revenues highlighted above, the Association has two key self-funded activities which include the professional development program and the practice inspection program. The practice inspection program contribution of \$524 was consistent with a net budget of \$(125). Practice inspection is not intended to contribute to the general operations; however, we continue to aim to achieve a self-funded position.

The contribution to operations from the Professional Development program was below budget by \$14,800. Many factors contributed to this including a change in the mix of courses resulting in lower margins as well as a change in the passport program which allowed the passport to be used for a broader range of course options. Overall, total registration was only slightly below budget and individual course fees remained unchanged. Indirect costs, including our lease expense, have not been allocated to the professional development program. There is an expectation that this activity will yield a contribution to offset a portion of lease costs, the training centre space occupies approximately 50% of the Association’s leased premises.

Also included in revenue for 2019-20 is \$25,300 received from the Government of Newfoundland and Labrador under its Foreign Qualification Recognition: Developing Provincial Capacity Project. CPANL engaged an outside consultant to complete this project. The cost of the consultant together with internal administrative costs are included as a separate line in operating expenses. The net cost of the project to CPANL was nil.

Self-Funding Activities Overview - Actual vs Budget



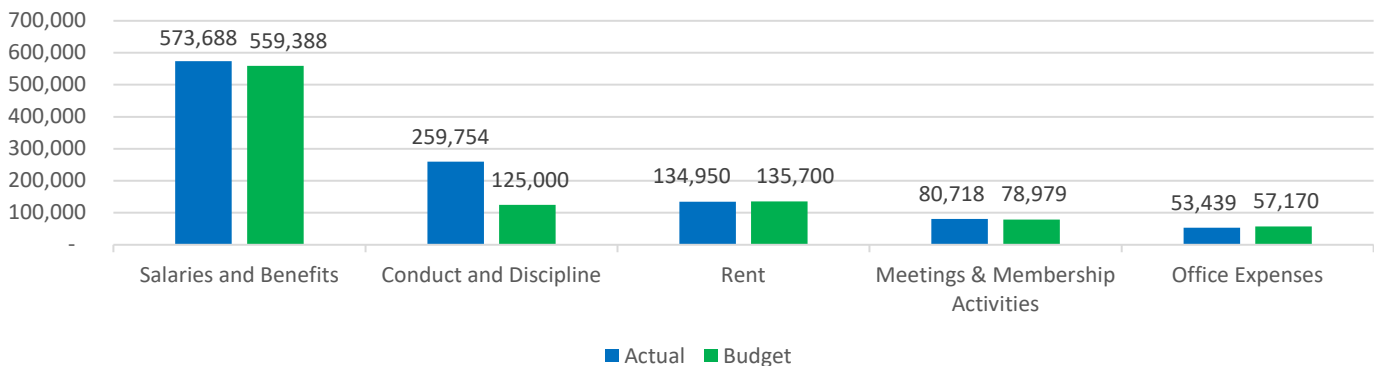
While revenues were \$25,126 over budget there was a negative variance in total expenses of \$147,054 resulting in a current year deficit of \$137,991 compared to a budget deficit of \$16,063.

Conduct and discipline was the single largest negative variance in expenses. This cost is very difficult to budget and as a result of the timing of disciplinary matters and investigation costs associated with them, the actual cost exceeded budget for the year by \$134,754.

Salaries and benefits also exceeded budget for the year by \$14,300. The Director, Regulatory Affairs and Registrar became full time effective October 1, 2019. The increase in salary related to this position was partially offset by an increase in salary allocated to practice inspection as a result of an increase in the number of inspections completed by internal staff during the year.

These negative variances were offset by positive variances in travel, staff PD, professional fees, and governance activities totalling \$29,000. Expenses related to national initiatives were also \$7,000 less than budget, these expenses represent costs associated with CPANL's participation in national committees and initiatives.

Top 5 Expenses Overview - Actual vs Budget



In 2019-20 CPA Newfoundland and Labrador operated with a complement of 7 staff, with contractors providing additional support for professional development, practice inspection and professional conduct investigations. The Association benefits greatly from the support of many CPAs and public representatives who generously volunteer their time and expertise to the profession.

RISKS AND RISK MANAGEMENT

ECONOMIC ENVIRONMENT

The economic environment in the province of Newfoundland and Labrador was slow again in 2019-20. Overall the Association has maintained a stable base of members in the active regular status (non-retired) category, with four more members transitioning to retired status or moving outside the province during the year versus the number of new members who joined the Association.

Up until the COVID-19 crisis in early March 2020 that resulted in governments worldwide enacting emergency measures to combat the spread of the virus, we were continuing to see a strong market for CPAs in the province as positions were regularly posted and our members were transitioning between employers. The measures taken by the Provincial and Federal Governments as well as globally have caused material disruption to businesses throughout the world resulting in an economic slowdown. The extent to which COVID-19 impacts the future financial results of CPA NL will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others. We will continue to work with CPA Canada, our provincial counterparts and the CPA Atlantic School of Business to support the profession and recruit new students during this unprecedented time in our history. We will continue to closely monitor our membership base as we plan for the future.

RISK IN RESPECT OF FINANCIAL INSTRUMENTS

The Association's financial instruments are comprised of cash and cash equivalents, investments, accounts receivable, and accounts payable. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to their liquidity and short-term maturities.

The Association is exposed to the following risks in respect of certain financial instruments held:

- Credit risk arises from the potential that a counter party will fail to perform its obligations. It is management's opinion that the Association is not exposed to significant credit risk as its accounts receivable arise mainly from transactions with parties such as members and firms.
- Currency risk is the risk to the Association's revenues and expenses that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the Association is not exposed to any currency risk as it has no material transactions in foreign currencies.
- The Association's investments in cash equivalents and fixed income investments are subject to market risks as the value of these investments will change with market fluctuations. Based on the nature of the Association's investments, it is management's opinion that the Association is not exposed to significant fair value market risk.

OPERATIONAL RISK

The Association operates with limited designated staff and relies largely on its volunteers to achieve the strategic priorities of the Board. This represents a risk that the Association may not be able to achieve all objectives should positions become vacant. To mitigate this risk the Board ensures that it has a broad base of volunteers and contract employees as well as an active and engaged Board who are capable of managing the organization should such a need arise.

As a self-regulatory body, the Association recognizes the need to ensure it can continue to provide the self-regulatory activities such as on-going discipline activities. Such activities do not come without a substantial cost representing an operational risk for the organization. By maintaining total net assets in excess of annual membership fees and working with support and combined resources of the other provinces and the national body, the Board is taking conscious efforts to mitigate this risk. In 2019-20 the Board also adopted a policy to maintain internally restricted net assets to cover conduct and discipline costs in excess of the annual budget. The restricted net assets balance is to be maintained at a minimum of one and a half times the actual five-year average conduct and discipline costs and not to exceed two times those costs.

PROGRESS ON PRIORITIES

NATIONAL COLLABORATION

CPA Newfoundland and Labrador continues to work collaboratively across provincial borders with its provincial counterparts, the regional school and the national body. This collaboration enables the Association to deliver on its mandate of supporting its membership with the resources required to meet the changing needs of the public and ensuring the public remains protected.

CPA Canada supports the work of the provinces and provides unique offerings to the membership. The profession represents over 210,000 CPAs in Canada and abroad, is one of the world's largest national accounting bodies and as a result carries a strong influential voice. With this significant membership size, CPA Canada has a significant role to play in influencing accounting and taxation standards on both the national and international stage.

EDUCATION

The CPA Professional Education Program (CPA PEP) is the pathway to the profession, delivered through the CPA Atlantic School of Business (CPA ASB). It was successfully completed by 36 Newfoundland and Labrador Candidates in 2019. We were proud to celebrate the graduates' success and the outstanding contribution of our newest Fellows of the profession and our Early Achievement Award recipient at the 2020 Newfoundland and Labrador convocation & awards ceremony in February.

In addition to the CPA PEP, a set of CPA Preparatory courses has been developed to allow non-accounting degree holders, or those individuals who do not have all the necessary prerequisites for entry into the CPA PEP, an opportunity to complete requisites.

FOCUS ON STRATEGIC PRIORITIES

The Association continues to focus on its' strategic priorities by seeking opportunities to implement new and innovative ways to deliver increased value to the membership as we execute against these strategic priorities:

- Protect the public
- Be a leader in accounting and business education
- Expand and satisfy the demand for high quality business and accounting professionals
- Be the most valued and trusted resource relied on by members, students and key stakeholders
- Foster member pride and engagement
- Be recognized as a leading influential voice in Canada and the profession globally
- Foster organizational effectiveness

PROTECT THE PUBLIC

CPA Newfoundland and Labrador's mission and legislative environment centres around our commitment to protect the public. Through the Chartered Professional Accountants and Public Accountants Act and the implementation of by-laws and unified Rules of Professional Conduct we have established a strong self-regulatory process to achieve this. With all professional accountants in Newfoundland and Labrador responsible to adhere to the same regulatory framework, we are able to ensure that the public is protected.

The Association is a self-regulatory body and is responsible to ensure its membership remains in compliance with the Act, Regulations, By-laws and the Rules of Professional Conduct. All of these components of the regulatory framework are there to ensure that our members conduct themselves in a professional manner with the protection of the public at the utmost importance.

CPA Newfoundland and Labrador has implemented a number of policies with public protection in mind. All CPA's must meet a minimum level of continuing professional development as required by the profession, this ensures that those in the profession remain current and maintain their professional edge.

In addition, the Association has established standards for those CPA's in public practice. CPA's in public practice must maintain a level of professional liability insurance adequate for the nature of their practice. These

members are also subject to our practice inspection program. The practice inspection program both monitors and educates public practitioners through the assessment of their working files against generally accepted standards of the profession.

Discipline

The discipline activities of the Association are carried out by the Registrar, the Complaints Authorization Committee (CAC) and the Disciplinary Panel. The Registrar is responsible for receiving all allegations made against a member or student of the Association. Also, the Registrar or the Board may, on its own motion, make an allegation when information regarding a member's conduct comes to the attention of the Association. Some allegations may be resolved by the Registrar if the circumstances are appropriate and both parties consent. If the allegation is not appropriate for resolution by the Registrar, the allegation must be referred to the CAC. The primary mandate of the CAC is to review all allegations which have been referred to it by the Registrar and determine whether there are reasonable grounds to believe the member has engaged in conduct deserving of sanction. If such a determination is made, the allegation constitutes a complaint and the CAC may instruct the Registrar to file the complaint against the member and refer it to the Disciplinary Panel. An Adjudication Tribunal is selected from the Disciplinary Panel to conduct a hearing and decide whether the member is guilty. If the member is found guilty, the Adjudication Tribunal is also responsible for determining the appropriate sanctions.

During 2019-2020, the CAC received 7 new allegations and continued to process 4 from previous years. Of these 11 allegations, 5 are still under consideration by the CAC, 2 resulted in a counsel, 1 resulted in a caution and 3 were referred to the Disciplinary Panel for a hearing.

Along with the 3 complaints referred for a hearing in 2019-2020, hearings into 3 complaints from previous years are ongoing.

Practice Inspection

CPA Newfoundland and Labrador utilizes a nationally harmonized practice inspection program in performing its practice inspections. The harmonized approach aims for consistency in practice inspection within the province and across the country. All practice inspectors are trained in the application of the harmonized program. To ensure consistent application of the harmonized program across Canada, a Practice Inspection Standing Committee, of which the Director, Professional Services and Operations is a part, meets on a regular basis to monitor practice inspection results.

Throughout 2019-20 inspections were completed by the Director, Professional Services and Operations and two contract inspectors. Practice inspections are conducted on a risk adjusted cycle, with the standard cycle being once in every three-year period. The total number of members subject to practice inspection throughout the cycle will vary as new members join and members retire from public practice. Throughout the cycle, there are also changes to the level of services members in public practice are offering to their clients. The mandate of practice inspection covers all engagements addressed by standards in the CPA Handbook – Assurance.

At the beginning of the 2019-20 inspection year there were 126 firms that had reported they were in the practice of public accounting, 59 of which were subject to inspection or reinspection in the 2019-20 inspection year. This consisted of practices offering a full range of assurance services as well as compilation only practices.

Of the initial 59 selected for inspection or reinspection in the 2019-20 inspection year, 5 were not required to be inspected as the members ceased to practice public accounting prior to inspection and 1 inspection was deferred. Of the remaining 53 inspections, 28 have been completed. While COVID-19 delayed the completion of inspections scheduled in early Spring, the remaining 25 inspections are all scheduled with anticipated completion by August 31, 2020.

In determining the action to be taken following an inspection, the Practice Inspection Committee's considerations may include, but are not limited to:

- the degree to which the requirements of the practice inspection program have been met;
- the nature and severity of any identified deficiencies;

- the cooperation of the member/firm;
- the public interest; and
- on a re-inspection, the results of any previous inspections of the member/firm and the response of the member/firm to those inspections.

Where practice inspection findings identify areas of non-compliance with standards such that the firm has not met the requirements of the practice inspection program the practice inspection committee may decide to re-inspect a practice. Depending on the nature and magnitude of inspection findings the committee may also require a practice to engage the services of a monitor to provide a pre-release review of a selection of files. Should the committee determine that the non-compliance is so significant as to pose a risk to the public that cannot be mitigated by re-inspection or a monitored practice the committee may make an allegation to the Registrar.

Where practice inspection findings identify certain areas of non-compliance with the standards such that the firm may need to take a specific course of action to meet the requirements of the practice inspection program, but the non-compliance does not warrant the need for a re-inspection or monitoring, the practice inspection committee may recommend prescribed professional development courses, submission of an action plan, or inspection on a shortened inspection cycle.

In total there have been 39 inspections completed since the last annual report: 28 for the 2019-20 inspection year to date and 11 for the 2018-19 inspection year. Nine of these inspections did not meet the requirements of the practice inspection program, requiring two firms to engage a monitor and seven to be subject to a full or partial reinspection. Additionally, nine inspections resulted in specific action being required to meet the requirements of the practice inspection program.

In addition to meeting its primary goal of protecting the public, members in public practice also benefit from the program's educational thrust. In the fall of 2019, a Focus on Findings communication was published highlighting the common findings from the previous year's inspections and providing relevant reference sources for practitioners.

BE A LEADER IN ACCOUNTING AND BUSINESS EDUCATION

The goal of being a leader in accounting and business education has many components within CPA Newfoundland and Labrador. These include our support of accounting at the post-secondary level in Newfoundland and Labrador, the delivery of the CPA programs through CPA Atlantic School of Business, and the continuing professional development program that we deliver to our members.

The members of the Association provide support to the Chartered Professional Accountants' Education Foundation of Newfoundland and Labrador, Inc. (the Foundation). As a result of this support the Foundation is then able to execute on its mission to promote professional excellence in accounting education by supporting the development of academia and providing support to students in their pursuit of the designation. The Foundation has entered into agreements with Memorial University Faculty of Business Administration in St. John's as well as Memorial University Grenfell Campus worth \$250,000 over five years as a direct result of the generous support of CPA's in the province. Payments under this agreement commenced in May 2019.

The Foundation continues to offer scholarships supporting the children and grandchildren of CPAs in pursuit of a business-related degree, as well as its support for Memorial University to facilitate a competency-based accounting education at the undergraduate and graduate levels, focusing on the application of knowledge in the workplace, thus ensuring students from Newfoundland and Labrador are well prepared for the education program that lies ahead. The Foundation continues to fund a bursary to support those students from Newfoundland and Labrador with financial challenges and attending the CPA Atlantic School of Business in their pursuit of the CPA designation.

The nationally developed CPA education program is delivered in Atlantic Canada through an agreement with the CPA Atlantic School of Business. The Association monitors program delivery on a continuous basis to ensure the School is meeting its objectives and providing our aspiring CPA students with an exceptional education program.

Finally, continuing professional development is a significant area of focus for CPA Newfoundland and Labrador. This year we continued to offer a wide variety of learning opportunities in such areas as financial reporting, assurance, corporate finance, information technology, taxation, wealth management, leadership and personal development.

In addition to in-class sessions offered in St. John's, the Association held courses in Corner Brook, and held its annual two-day professional development conference which was held offsite in St. John's in October 2019. The conference was very well attended again this year, with over 200 full-day equivalent registrations over the two days. CPA Newfoundland and Labrador continued its partnership with CPA Ontario to provide a number of live broadcasts. These sessions are delivered live in Ontario but can be accessed by our members anywhere via the internet. The Association continued its support of the Business Insight sessions, offering three sessions in St. John's and two in Corner Brook free to our members, attended by 200 members during the year.

EXPAND AND SATISFY THE DEMAND FOR HIGH QUALITY BUSINESS AND ACCOUNTING PROFESSIONALS

Nationally there continues to be a significant effort to build the CPA brand and market the overall profession to help increase recognition and drive demand for the designation. This past year we have introduced the "the new face of CPAs" brand campaign. Drawing on the approach of last year's very successful "boring" campaign, the 2019-2020 campaign aims once again to portray CPAs in a modern light. As key players in the business world, CPAs enjoy a reputation as leaders, positively influencing all sectors where their skills and expertise are utilized. The portraits of seven CPAs are featured in television, print and digital ads and social media posts, which showcase their impressive range of interests, skills and community service, as well as their adherence to the highest standards of ethics. The advertising campaign highlights the faces of diversity, competence and innovativeness that are the hallmark of the Canadian CPA profession. This has been a very successful campaign as we continue to see improvement in brand recognition.

In Newfoundland and Labrador we have welcomed 36 new professional accountant graduates to the profession this year. We continue to support Memorial University of Newfoundland, a significant source of new CPAs and we continue to work with the CPA Atlantic School of Business to attract both university and workforce candidates into the CPA program.

BE THE MOST VALUED AND TRUSTED RESOURCE RELIED ON BY MEMBERS, STUDENTS AND KEY STAKEHOLDERS

A large component of being a valued and trusted resource is to be there for our members, students and stakeholders when they need us. The management and staff of CPA Newfoundland and Labrador make every effort to meet a 24 hour response time for member queries. While we are not always able to give the answer, we work diligently to point the membership in the right direction to enable them to make an educated decision.

To ensure our members have access to relevant information and changes in standards, we maintain our website with the most recent information, and we highlight key developments in our regular e-newsletters and notices. The professional staff at CPA Newfoundland and Labrador continue to meet with our national and provincial counterparts to remain current on changing rules and to ensure we bring the Newfoundland and Labrador perspective.

FOSTER MEMBER PRIDE AND ENGAGEMENT

Through branding and recruitment programs, CPA Newfoundland and Labrador has increased awareness of the profession and has expanded the profile of CPAs in the province by highlighting different career choices available to CPAs. In addition, the Association and our members are very active in the community. CPA Newfoundland and Labrador plays an active role in the organization and administration of the annual volunteer income tax clinics to promote our presence in the community and in the province. While COVID-19 had a

significant impact on the 2020 volunteer tax clinics, a team of dedicated members worked with CPA NL staff to find an alternate way to ensure that those relying on the volunteer tax clinics had their tax returns completed and filed within the extended filing period. CPAs in the province have also embraced the CPA Canada financial literacy program. There are a significant number of our members that have signed up to facilitate the program, which is designed to reach school age children, college and university students, as well as members of the public with the goal of improving financial literacy.

Again this year, the Association maintained touch-points for our members to engage with other members. During the year, CPA Newfoundland and Labrador has facilitated a number of events, including the annual fall professional development conference, the CPAs multiplying kindness holiday event and social, business insight sessions, events in Corner Brook, a family event at Lester's farm and our hallmark event, the annual convocation and awards ceremony.

To recognize the significant contributions of our members to their businesses and the community, CPA Newfoundland and Labrador actively seeks members to recognize through receipt of the Fellow of the CPA profession (FCPA) distinction as well as our Early Achievement Award which is tailored to those members who are within the first ten years of their CPA careers. This year we recognized two new Fellows and awarded an Early Achievement Award. CPANL had videos curated in their honour.

BE RECOGNIZED AS A LEADING INFLUENTIAL VOICE IN CANADA AND THE PROFESSION GLOBALLY

CPA Newfoundland and Labrador sought feedback from the membership for inclusion in a pre-budget submission to the Minister of Finance. A budget task force comprised of a small number of CPA NL members reviewed this feedback and prepared a written submission. In light of the COVID-19 Pandemic and the resulting delay in the Provincial Budget, we felt that our submission was no longer meaningful or timely given the economic uncertainties the Province would continue to face for the foreseeable future. In April we wrote a letter to the Minister of Finance supporting the immediate need to focus on the public health response, but also offering some key themes from our Membership feedback for future consideration. The key themes of this feedback included the need to return to a balanced budget and emphasis on expense management. We also offered our assistance in future consultations when the government's focus returns to the provincial budget.

The Board supported the activities of the Council of Chief Executives through participation in a number of committees, sub-committees and working groups again this year. The CPA Newfoundland and Labrador CEO participates on the Professional Learning and Development Strategy Committee; the Director, Professional Services and Operations is a member of the Practice Inspection Program Standing Committee, Member Advisory Services Group, and the Continuing Professional Development Standing Committee; the Director, Regulatory Affairs and Registrar is a member of the Conduct and Discipline Standing Committee, and the Registration Task Force; and the Professional Development Leader sits on the Professional Learning and Development Programs Committee. The involvement of CPA Newfoundland and Labrador staff in a number of national initiatives positions us well to better understand the issues facing the profession and ensures that our members have access to the most up-to-date professional standards and benefits, including the most recent professional development opportunities.

In addition to national committees, an Atlantic Regional Forum (ARF) continues to meet semi-annually to build consistency in Atlantic Canada and to focus on areas of mutual interest including the Atlantic School of Business and to agree on national items that require an Atlantic voice. The ARF is comprised of the Board Chair, Vice Chair and Chief Executive Officer of each of the CPA provincial organizations in Atlantic Canada as well as Bermuda. To further enable collaboration the CEOs in Atlantic Canada and Bermuda meet regularly to discuss strategic priorities in our respective areas, share best practices and collaborate on items of mutual interest.

FOSTER ORGANIZATIONAL EFFECTIVENESS

We actively monitor and cleanse our member database to enable us to pull member demographic information and other statistical information to inform our decision making and better understand changes in our

membership from year to year and make appropriate strategic decisions as required to minimize any negative impacts changes in our membership may have.

We have published searchable Member, Licenced Member and Firm directories on our website, enabling the public and stakeholders to verify members of CPA Newfoundland and Labrador as well as registered and licenced firms and members.

As a result of COVID-19 we have moved a number of processes online to a virtual Microsoft Teams environment. This shift to a virtual environment included the CPA NL Board and committee meetings, but also weekly Small Practices meetings during the pandemic, one-on-one employer sessions that were previously planned in person in Labrador, national committee meetings, etc. While this was done as a reaction to the pandemic, it was an education on how well these things can work virtually, while there will certainly remain a need for in-person gatherings, we will carry forward what we have learned through this process as a means to provide greater efficiency in operations going forward.

The training centre continues to be a resource that we make available to members and non-members for a reasonable rental fee to help offset the cost of having the space available for our own professional development program. In addition to our regular PD offerings, the training centre is used for discipline hearings, business insight sessions and other internal events. While these are not revenue generating the use of the training centre space significantly reduces the cost of holding these off-site.

THE YEAR AHEAD

We will continue to focus on member communications in the year ahead as we seek opportunities to broadcast information and shorter information sessions to our membership via video collaboration. With the physical and social distancing measures implemented due to the COVID-19 pandemic, we will be focusing on working with our provincial colleagues and service providers to ensure our members have access to relevant and affordable professional development in a virtual setting. As always, we will continue to seek opportunities to enhance our service delivery, refine our processes, implement new efficiencies, and to improve member value and build member pride in the profession.

We will deliver and monitor the discipline process to ensure that as a profession we maintain the public trust. The practice inspection program remains a strategic priority and, while the COVID-19 restrictions will alter the way we carry out some of our inspections, we will ensure we continue to meet the rigorous policies we have established to inspect our members on a regular schedule. We will remain focused on ensuring our members meet the requirements of our continuing professional development policy, and will provide regular communication to our members to ensure they are aware of their position relative to the policy. Through this regular communication and our focus on providing alternate professional development opportunities we hope to improve access to the necessary professional development for our members and enable them to maintain the high level of competency in their respective professional roles that the public expects, ultimately improving public protection.

We will work with our partners at the CPA Atlantic School of Business recruiting new students into the program to maintain an adequate flow of candidates to meet demand and replace the number of members retiring from the profession each year. There are many roles for a CPA in business and as such it is important to not only meet the demand for public accountants, but also to deliver the vast number of professional accountants that provide the financial acumen to drive economic strength, growth and diversification in the Newfoundland and Labrador market.

In my role at CPA Newfoundland and Labrador as well as my involvement in national initiatives, it is paramount that we maintain the reputation of the profession, deliver the resources our members have grown to expect, as well as enhance the profile of the profession, ultimately enhancing member pride and engagement. This is a strategic focus for the organization both provincially and nationally in the year ahead.

Jason Hillyard, CPA, CGA
Chief Executive Officer
July 8th, 2020

Independent Auditors' Report

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To the Members of
Association of Chartered Professional Accountants of Newfoundland and Labrador

Opinion

We have audited the financial statements of Association of Chartered Professional Accountants of Newfoundland and Labrador, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, 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 Association of Chartered Professional Accountants of Newfoundland and Labrador as at March 31, 2020, 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 association 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.

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 these financial statements, management is responsible for assessing the association'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 association or to cease operations, or has no realistic alternative to do so.

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



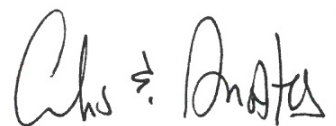
Auditor's Responsibilities for the Audit of the Financial Statements

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 association'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 association'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 association 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.



Chartered Professional Accountants

Paradise, Newfoundland and Labrador
June 12, 2020

Coombs & Associates
Chartered Professional Accountants


Association of Chartered Professional Accountants of Newfoundland and Labrador


Statement of Financial Position
March 31, 2020

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,055,556	\$ 949,952
Short term investments	805,132	817,698
Accounts receivable (Note 2)	91,319	67,060
Prepays	22,494	33,165
	1,974,501	1,867,875
Long term investments (Note 3)	110,000	505,132
Property and equipment (Note 4)	9,567	10,681
	\$ 2,094,068	\$ 2,383,688
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 238,721	\$ 338,701
HST payable	84,997	103,770
Deferred revenue	620,349	653,225
	\$ 944,067	1,095,696
Net assets		
Restricted (Note 8)	272,000	272,000
Unrestricted	878,001	1,015,992
	1,150,001	1,287,992
	\$ 2,094,068	\$ 2,383,688

Commitments (Note 5)

Approved on Behalf of the Board:


_____, Director


_____, Director

See accompanying notes to the financial statements

Association of Chartered Professional Accountants of Newfoundland and Labrador

Statement of Operations
For the Year Ended March 31, 2020

	2020	2019
Revenue		
Membership fees	\$ 941,036	\$ 947,885
Self-funding activities (Note 7)	257,803	221,111
Other revenue	100,554	101,427
License fee revenue	28,200	27,700
Foreign qualification recognition funding	25,300	-
Admission fees	21,400	25,200
Discipline fine and cost recovery	6,876	-
Rental income	8,603	13,042
	1,389,772	1,336,365
Operating expenses		
Salaries and benefits	573,688	526,098
Conduct and discipline	259,754	211,853
Self-funding activities (Note 7)	251,861	213,014
Rent	134,950	133,553
Meetings and membership activities	80,718	78,415
Office	53,439	53,016
Interest and bank charges	51,955	37,747
National initiatives	38,303	38,683
Foreign qualification recognition expense	25,300	-
Insurance	20,585	20,585
Professional fees	9,974	10,574
Travel expenses	9,766	13,339
Advertising, promotion and communications	7,667	12,783
Depreciation	5,321	5,272
Education Costs (Note 12)	4,388	203
Bad debt expense	94	-
Board Election	-	1,138
	1,527,763	1,356,273
Excess of expenditures over revenue for the year	\$ (137,991)	\$ (19,908)

See accompanying notes to the financial statements

Association of Chartered Professional Accountants of Newfoundland and Labrador

Statement of Changes in Net Assets
For the Year Ended March 31, 2020

	Restricted (note 8)	Unrestricted	2020	2019
Net assets, beginning of year	\$ 272,000	\$ 1,015,992	\$ 1,287,992	\$ 1,307,900
Excess of expenditures over revenue for the year	-	(137,991)	(137,991)	(19,908)
Net assets, end of year	\$ 272,000	\$ 878,001	\$ 1,150,001	\$ 1,287,992

Association of Chartered Professional Accountants of Newfoundland and Labrador

Statement of Cash Flows
For the Year Ended March 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of expenditures over revenue for the year	\$ (137,991)	\$ (19,908)
Item not affecting cash:		
Depreciation	5,321	5,272
	(132,670)	(14,636)
Change in non-cash working capital:		
Accounts receivable	(24,259)	24,346
Prepays	10,671	1,338
Accounts payable and accrued liabilities	(118,753)	65,436
Deferred revenue	(32,876)	129,275
TOTAL CASH FLOWS (USED BY) FROM OPERATING ACTIVITIES	(297,887)	205,759
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,207)	(8,859)
Change in long term investments	395,132	503,391
NET CASH FROM INVESTING ACTIVITIES	390,925	494,532
Net increase in cash and cash equivalents	93,038	700,291
Cash and cash equivalents at beginning of year	1,767,650	1,067,359
Cash and cash equivalents at end of year	\$ 1,860,688	\$ 1,767,650
Cash and cash equivalents comprised of:		
Cash and cash equivalents	\$ 1,055,556	\$ 949,952
Short term investments	805,132	817,698
	\$ 1,860,688	\$ 1,767,650

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
For the Year Ended March 31, 2020

1. Significant Accounting Policies

Nature of business

The Association of Chartered Professional Accountants of Newfoundland and Labrador was incorporated on January 9, 2015 under the Chartered Professional Accountants and Public Accountants Act (the “Act”) as a corporation without share capital for the purposes of Part XXI of the Corporations Act. The Association is a self-governing professional organization regulating the Chartered Professional Accounting profession in Newfoundland and Labrador. As a not-for-profit organization under the Income Tax Act, the Association is not subject to federal or provincial income taxes.

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents and short-term investments

Cash and cash equivalents is defined as cash and short-term investments with maturity dates of less than three months.

Short-term investments consist of investments with maturities from 3 months to one year and bear interest at rates from 2% to 6%.

Cost recoveries and fines

Cost recoveries and fines resulting from Discipline Committee orders are recognized on a cash basis.

Property and equipment

Property and equipment is recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Office furniture and equipment	5 years
Computer hardware and software	3 years

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
For the Year Ended March 31, 2020

1. Significant Accounting Policies (continued)

Impairment of long-lived assets

In the event that facts and circumstances indicate that the Association's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Association considers that no circumstances exist that would require such an evaluation.

Deferred revenue

Deferred revenue consists of membership fees collected in advance for the 2020-21 membership year.

Presentation of controlled entity

The Chartered Professional Accountant's Education Foundation of Newfoundland and Labrador Inc., which is controlled by the Association, is not consolidated in the Association's financial statements.

Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. The financial assets measured at amortized cost include cash, short term investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Revenue recognition

Membership fees, practitioner assessments, and practice inspection revenue are recognized in the year to which they relate. Course and activity revenue are recognized when the event is presented.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not for profit organizations 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. Estimates are used in the determination of the useful lives of the Association's property, plant and equipment as well as determining any allowance for doubtful receivables. Actual results could differ from those estimates and may have an impact on future periods.

Contributed services

The Association and its members benefit from contributed services in the form of volunteer time for various committees. Contributed services are not recognized in these statements.

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
For the Year Ended March 31, 2020

2. Accounts receivable

Accounts receivable consists of the following:

	2020	2019
Trade	\$ 75,569	\$ 55,094
Due from CPA Atlantic School of Business	307	5,672
Due from CPA Canada	16,415	7,172
	92,291	67,938
Allowance for doubtful accounts	(972)	(878)
	\$ 91,319	\$ 67,060

3. Long term investments

Long term investments consist of Bank of Montreal Guaranteed Investment Certificates bearing interest at rates from P-2.7% to 1.3% and maturities of 1-2 years.

4. Property and equipment

Property and equipment consists of the following:

	Cost	Accumulated Depreciation	2020 Net Book Value	2019 Net Book Value
Office furniture and equipment	\$ 36,647	32,028	\$ 4,619	\$ 3,178
Computer hardware and software	27,775	22,827	4,948	7,503
	\$ 64,422	54,855	\$ 9,567	\$ 10,681

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
For the Year Ended March 31, 2020

5. Commitments

Agreement with Chartered Professional Accountants Education Foundation of Newfoundland and Labrador, Inc. (the “Foundation”)

The Association has signed a memorandum of agreement with the Foundation whereby the Association shall provide dedicated funding, in an amount determined by the CPA NL Board annually, to allow the Foundation to meet any mutually agreed upon financial commitments. Prior to accepting or initiating any financial commitments which will require future funding from the Association, the Foundation must seek approval from the CPA NL Board.

The Foundation has entered into two agreements providing annual funding of \$250,000 over a five-year period which commenced May 1, 2019. The funding will be paid in equal annual instalments as follows:

Memorial University of Newfoundland Faculty of Business Administration	\$ 37,500
Memorial University of Newfoundland Grenfell Campus	\$ 12,500

Office premises

The Association operates under a ten-year rental lease which expires December 31, 2024. The annual commitments for the next five years under the terms of this rental are as follows:

2021	\$ 127,108
2022	\$ 127,108
2023	\$ 127,108
2024	\$ 127,108
2025	\$ 95,331

Equipment Leases

The Association leases a postage machine. The annual commitments under the terms of this lease are:

2021	\$ 1,615
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Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
For the Year Ended March 31, 2020

6. Employee future benefits

The Association provides benefits to all employees through participation in a multi-employer defined contribution pension plan. The assets of the plan are held separately from those of the Association in an independently administered fund. Contributions accrued and expensed by the Association during the period totaled \$38,784 (2019 - \$35,181).

7. Self-funding activities

	2020	2019
Revenue		
Practice inspection	\$ 61,201	\$ 20,400
Professional development	196,602	200,711
	257,803	221,111
Direct costs		
Practice inspection	60,677	25,466
Professional development	191,184	187,548
	251,861	213,014
Net revenue from self-funding activities	\$ 5,942	\$ 8,097

8. Restricted net assets

To minimize the effect of fluctuating costs associated with conduct and discipline, the Board has adopted a restricted net asset policy. The policy stipulates that a minimum restricted net asset balance be maintained equal to one and a half times the annual conduct and discipline budget, but not to exceed two times the annual conduct and discipline budget, with the budget determined on a rolling five year average of conduct and discipline costs. For 2019-20 the restricted net asset balance is calculated in the range of \$262,000 to \$349,000.

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9. Disclosure of controlled entity

The Association controls the Chartered Professional Accountants Education Foundation of Newfoundland and Labrador, Inc. by its right to approve the Foundation's strategic plans. The purpose of the Foundation is to enhance the quality of accounting education in Newfoundland and Labrador. The Foundation is incorporated under The Incorporations Act of Newfoundland and Labrador and is a registered charity under the Income Tax Act.

The Foundation has not been consolidated in the Association's financial statements. Audited figures for April 30, 2020 are not yet available and as a result the latest audited figures are presented. Financial summaries are as follows:

	April 30, 2019	April 30, 2018
Total assets	\$ 220,243	\$ 210,994
Net assets	\$ 214,963	\$ 207,743
Total revenue	\$ 77,649	\$ 78,799
Total expense	(70,429)	(62,448)
	\$ 7,220	\$ 16,351

10. Risk management

The Association's policy for managing significant risks includes a comprehensive infrastructure of policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant financial risks managed by the Association include liquidity and credit risk.

Liquidity risk

Liquidity risk is the risk that the Association will be unable to meet its contractual obligations and financial liabilities. The Association manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash to meet its obligations and liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Association's credit risk is attributable to receivables. Management believes that the credit risk with respect to financial instruments included in receivables is remote.

It is management's opinion that the Association is not exposed to significant amounts in interest rate or foreign exchange risk.

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
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11. Related party transactions

Relationships with other Accounting bodies and Organizations

Chartered Professional Accountants of Canada (CPA Canada)

CPA Canada is the national organization which supports provincial CPA accounting bodies in Canada. In Newfoundland and Labrador, all members of the Association are also members of CPA Canada.

The Association collects member fees on behalf of CPA Canada. For the year ending March 31, 2020 the Association collected \$570,731 (2019 – \$573,213) on behalf of CPA Canada.

During 2013, CPA Canada established a Collaboration Accord that defines roles and governance processes which the Association has signed. Under the Accord, CPA Canada and the participating provincial CPA bodies undertook a series of projects to implement the CPA profession's strategic initiatives and to collaborate nationally. CPA Canada accumulates the related costs and bills the participating provincial bodies. The Association's contribution to funding these projects for 2020 amounted to \$44,625 (2019 – \$44,061).

At March 31, 2020 payables and accruals included \$49,337 (2019 - \$178,987) due to CPA Canada for membership fees and costs to be billed back to the provinces under the Accord.

Chartered Professional Accountants Atlantic School of Business Association (CPA ASB)

The Association has entered into an agreement with CPA ASB to administer the CPA education programs for Newfoundland and Labrador.

At March 31, 2020, the Association owes CPA ASB \$8,749 (2019 – \$2,404)) related to their administration of the education programs.

CPA ASB rents office and meeting space from the Association. \$5,331 (2019 - \$6,336) has been recorded in these financial statements as rental revenue from CPA ASB. At March 31, 2020 CPA ASB owes \$307 (2019 - \$115) for office and meeting space rental.

Chartered Professional Accountants Education Foundation of Newfoundland and Labrador, Inc.

To meet its commitment to the Foundation (note 7), the Association collects revenue for the Foundation through its annual membership fees. During the year, \$51,380 was collected and paid or payable to the Foundation (2019 - \$52,115).

At March 31, 2020, the Association owed the Foundation \$30,625 for fees collected from members in advance for the 2020 - 21 membership year (2019 - \$35,420).

Association of Chartered Professional Accountants of Newfoundland and Labrador

Notes to the Financial Statements
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12. Education costs

Net costs associated with the administration of CPA Canada's education programs are covered 100% by the provincial accounting bodies. During the year CPA Canada realized a net surplus from the Professional Education Programs, preparatory courses and related evaluations. CPA NL's share of this surplus was \$14,843 (2019 - \$7,172). Since CPA ASB administers these programs for CPA NL the operating surplus is to be transferred to them and is included in liabilities at year end, net of CPA ASB's share of translation costs of \$6,208 (2019 - \$5,378) paid by CPANL throughout the year.

The Advanced Certificate in Accounting and Finance (ACAF) and Post Designation Public Accounting programs are administered by the province. CPA NL's share of net costs for these programs was \$114 (2019 - \$203).

Also included in education costs are incremental costs incurred by CPA Canada related to the 2019 Common Final Examination. CPA NL's share of these incremental costs was \$4,274.

13. COVID-19

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 impacts the future financial results of CPA NL will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.



CPA

CHARTERED
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