The Canadian Payroll Association/ L'Association canadienne de la paie

Financial statements
December 31, 2021

Building a better
working world

Independent auditor's report

To the Members of
The Canadian Payroll Association/L'Association canadienne de la paie

Opinion

We have audited the financial statements of **The Canadian Payroll Association/L'Association canadienne de la paie** [the "Association"], which comprise the balance sheet as at December 31, 2021, and the statement of changes in net assets, statement of operations and statement of 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 Association as at December 31, 2021, and its results of 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 the 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but 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.

Ernst & Young LLP

Toronto, Canada
March 25, 2022

Chartered Professional Accountants
Licensed Public Accountants

The Canadian Payroll Association/
L'Association canadienne de la paie

Balance sheet

As at December 31

	2021	2020
	$	$
Assets		
Current		
Cash	**4,553,174**	4,229,613
Short-term investments, fair value *[note 4]*	**1,854,043**	3,053,991
Accounts receivable *[note 11]*	**379,539**	174,452
Prepaid expenses and other assets	**1,076,242**	876,471
Total current assets	**7,862,998**	8,334,527
Long-term investments, fair value *[note 4]*	**29,328,252**	25,600,462
Capital assets, net *[note 5]*	**1,359,200**	1,567,467
	38,550,450	35,502,456
Liabilities		
Current		
Accounts payable and accrued liabilities *[note 6]*	**2,157,045**	1,836,815
Deferred revenue *[note 7]*	**4,214,348**	4,890,295
Current portion of leasehold inducements	**81,050**	81,050
Total current liabilities	**6,452,443**	6,808,160
Leasehold inducements	**374,701**	495,676
Total liabilities	**6,827,144**	7,303,836
Commitments *[note 10]*		
Net assets		
Unrestricted	**31,723,306**	28,198,620
Total net assets	**31,723,306**	28,198,620
	38,550,450	35,502,456

See accompanying notes

On behalf of the Board:

Chair of the Board

President

The Canadian Payroll Association/
L'Association canadienne de la paie

Statement of changes in net assets

Year ended December 31

	2021	**2020**
	$	$
Unrestricted net assets, beginning of year	**28,198,620**	23,941,169
Excess of revenue over expenses for the year	**3,524,686**	4,257,451
Unrestricted net assets, end of year	**31,723,306**	28,198,620

See accompanying notes

Statement of operations

Year ended December 31

	2021	2020
	$	$
Revenue		
Certification fees	**10,113,604**	8,119,054
Membership fees	**5,506,764**	5,665,302
Seminars and conferences	**4,637,190**	4,672,170
Publications and royalties	**304,204**	176,939
	20,561,762	18,633,465
Expenses		
Administration and membership	**6,191,844**	8,092,098
Certification operations and redevelopment	**4,218,322**	3,643,348
Communications and marketing	**3,661,587**	1,786,191
Content development	**3,164,707**	1,693,156
Seminars and conferences	**2,103,961**	1,563,178
Association governance	**242,996**	139,970
	19,583,417	16,917,941
Excess of revenue over expenses before the following	**978,345**	1,715,524
Investment income *[note 8]*	**2,546,341**	2,541,927
Excess of revenue over expenses for the year	**3,524,686**	4,257,451

See accompanying notes

The Canadian Payroll Association/
L'Association canadienne de la paie

Statement of cash flows

Year ended December 31

	2021	2020
	$	$
Operating activities		
Excess of revenue over expenses for the year	**3,524,686**	4,257,451
Add (deduct) items not involving cash		
Reinvested investment income	**(2,527,842)**	(2,520,485)
Amortization of capital assets	**530,975**	600,359
	1,527,819	2,337,325
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	**(205,087)**	198,764
Increase in prepaid expenses and other assets	**(199,771)**	(9,806)
Increase in accounts payable and accrued liabilities	**320,230**	82,568
Increase (decrease) in deferred revenue	**(675,947)**	393,782
Decrease in leasehold inducements	**(120,975)**	(99,844)
Cash provided by operating activities	**646,269**	2,902,789
Investing activities		
Cash contribution to investments	**—**	(2,500,000)
Purchase of capital assets	**(322,708)**	(492,413)
Cash used in investing activities	**(322,708)**	(2,992,413)
Net increase (decrease) in cash during the year	**323,561**	(89,624)
Cash and cash equivalents, beginning of year	**4,229,613**	4,319,237
Cash and cash equivalents, end of year	**4,553,174**	4,229,613

See accompanying notes

Notes to financial statements

December 31, 2021

1. Mission

Founded in 1978, the Canadian Payroll Association/L'Association Canadienne de la paie [the "Association"] exists because accurate and timely payroll is the right of every employee and essential to the success of every employer and our society. Representing a community of more than 40,000 professionals, practitioners and stakeholders, the Association is recognized as the leader in payroll knowledge. As such, it is relied upon by professionals for learning, education and development, businesses seeking current and critical payroll best practices, and governments to inform and shape payroll-related legislation. The Association has continued under the *Canada Not-for-profit Corporations Act* as a corporation without share capital. The Association is a not-for-profit organization and, as such, is exempt from income taxes under Section 149[1][l] of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below:

Revenue recognition

Seminar and conference registrations are recognized as revenue when the function is held or services are provided. Certification fees are recognized as revenue when the courses are held. Membership fees are recognized as revenue on a pro rata basis over the year.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, net of investment fees, is recorded in the statement of operations as earned.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments of maturities of less than 90 days. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Association designates upon purchase to be measured at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and are subsequently measured at cost, net of any provision for impairment.

Prepaid expenses and other assets

All costs related to future courses, seminars and conferences are initially recorded as prepaid expenses and other assets when the expenditures meet the definition and recognition criteria of an asset. These are expensed over the period in which the events have occurred.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Tangible	
Leasehold improvements	Over the term of lease
Stationary office furniture	10 years
Other office furniture and equipment	3–5 years
Intangible	
Program and system software costs	3–5 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Association's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Leasehold inducements

Leasehold inducements represent inducements received, which are amortized on a straight-line basis over the term of the underlying lease agreement.

Employee benefits

The Association contributes amounts to a group registered retirement savings plan equal to the amounts contributed by its staff according to the plan's limits. Contributions are expensed on an accrual basis.

Foreign exchange translation

Revenue and expense items denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Gains or losses resulting from foreign currency transactions are recorded in the statement of operations.

Allocation of expenses

The costs of each function include costs of personnel and other expenses directly related to the function. General support and other costs are not allocated.

3. Line of credit

The Association has available a line of credit to a maximum of $300,000 bearing interest at the bank's prime rate plus 0.75% per annum. The line of credit is collateralized by a general security agreement covering all assets, other than real property, of the Association. As at December 31, 2021, the bank's prime rate was 2.45% [2020 – 2.45%]. As at December 31, 2021 and 2020, the line of credit facility was not utilized.

4. Investments

Investments have an asset mix as follows:

Short-term investments

	2021	**2020**
	$	$
Cash and cash equivalents	**1,854,043**	3,053,991
	1,854,043	3,053,991

Long-term investments

	2021	**2020**
	$	$
Canadian fixed income securities	**8,819,677**	8,073,751
Global fixed income securities	**4,177,492**	3,342,857
Canadian equities	**6,098,981**	4,880,260
US equities	**5,558,942**	4,873,056
Other foreign equities	**4,673,160**	4,430,538
	29,328,252	25,600,462

Interest rates on fixed income securities range from 1.25% to 2.60% [2020 – 1.20% to 2.60%] and maturity dates range from September 1, 2022 to September 8, 2026 [2020 – September 5, 2021 to June 2, 2025].

Investments in pooled funds have been allocated among the asset classes based on the underlying investments.

Notes to financial statements

December 31, 2021

5. Capital assets

Capital assets consist of the following:

	2021		
	Cost	Accumulated amortization	Net carrying amount
	$	$	$
Tangible			
Leasehold improvements	**1,850,073**	**1,131,186**	**718,887**
Stationary office furniture	**388,174**	**215,491**	**172,683**
Other office furniture and equipment	**856,946**	**722,271**	**134,675**
	3,095,193	**2,068,948**	**1,026,245**
Intangible			
Program and system software costs			
Certification and seminar development	**1,876,352**	**1,646,573**	**229,779**
Software	**1,673,869**	**1,570,693**	**103,176**
	3,550,221	**3,217,266**	**332,955**
	6,645,414	**5,286,214**	**1,359,200**

	2020		
	Cost	Accumulated amortization	Net carrying amount
	$	$	$
Tangible			
Leasehold improvements	1,843,202	915,303	927,899
Stationary office furniture	388,174	166,029	222,145
Other office furniture and equipment	850,255	694,015	156,240
	3,081,631	1,775,347	1,306,284
Intangible			
Program and system software costs			
Certification and seminar development	1,639,789	1,588,879	50,910
Software	1,655,850	1,445,577	210,273
	3,295,639	3,034,456	261,183
	6,377,270	4,809,803	1,567,467

During the year, fully amortized capital assets of $54,563 [2020 – $34,777] were written off. There were no assets under construction and not in use as at December 31, 2021.

Notes to financial statements

December 31, 2021

6. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of $51,958 [2020 – $86,719].

7. Deferred revenue

Deferred revenue consists of the following:

	2021 $	2020 $
Membership	**3,087,327**	2,968,319
Certification	**948,041**	1,185,379
Seminars and conferences	**169,109**	729,247
Publications	**9,871**	7,350
	4,214,348	4,890,295

8. Investment income

Investment income consists of the following:

	2021 $	2020 $
Unrealized gains on investments, net	**1,445,065**	2,011,413
Interest and dividends	**476,401**	465,712
Realized gains on investments, net	**624,875**	64,802
	2,546,341	2,541,927

9. Group registered retirement savings plan – employee benefits

During the year, the Association contributed approximately $227,953 [2020 – $219,511] to a group registered retirement savings plan.

Notes to financial statements

December 31, 2021

10. Commitments

The Association is obligated to make the following approximate future minimum annual payments under operating leases and contracts for office facilities, professional services, donations to other organizations and office equipment:

	$
2022	2,749,000
2023	1,238,000
2024	995,000
2025	330,000
	5,312,000

In addition to minimum rental payments, leases for office facilities generally require the payment of various operating costs.

11. Financial instruments and risk management

The Association is exposed to various financial risks through transactions in financial instruments. Most of these risks are related to investments. To manage the risks related to investments, the Association has determined an investment strategy and asset mix that reflects a total investment return consistent with capital preservation, risk tolerance and liquidity needs of the Association. An investment policy was established to monitor and limit risks across asset classes, as well as the total portfolio. If the measured risk of the portfolio exceeds the limits set by the policy, actions will be taken to reduce the portfolio's risk.

Foreign currency risk

The Association is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value of financial instruments or future cash flows associated with these instruments will fluctuate relative to the Canadian dollar due to changes in foreign currency rates. The Association mitigates its foreign currency risk exposure by limiting the extent of foreign currency exposure to 10% for fixed income securities and 15%, respectively, on United States and other foreign equities.

Interest rate risk

The Association is exposed to interest rate risk with respect to its fixed income securities and pooled funds that hold fixed income securities, because the fair value of financial instruments or future cash flows associated with these instruments will fluctuate due to changes in market interest rates. Fluctuations in market rates of interest do not have a significant impact on the Association's results of operations.

Other price risk

The Association is exposed to other price risk through changes in market prices [other than changes arising from foreign currency risk and interest rate risk] in connection with its investments in equity securities and pooled funds. The Association manages this risk by monitoring against its benchmark asset mix, which reflects the Association's risk appetite.

Credit risk

The Association is exposed to credit risk in connection with its fixed income investments because of the risk of financial loss caused by a counterparty's potential inability to fulfill its contractual obligations. To manage this credit risk exposure, the Association only invests in high quality securities. Fixed limits are established for individual counterparties and these are monitored regularly.

In addition, in the normal course of business, the Association is exposed to credit risk from its debtors as failure of any of these parties to fulfill their obligations could result in financial losses for the Association. As at December 31, 2021, two debtors [2020 – three debtors] represent 45% [2020 – 81%] of the Association's accounts receivable balance of $265,894 [2020 – $174,452]. While there is a concentration of credit risk with these debtors, a significant portion of outstanding balances have been received subsequent to year-end. As such, the credit risk associated with these debtors is minimal.

12. Capital management

The Association's objectives are to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. The Association has established a target of having nine to twelve months of normal operating expenses held in liquid assets. As at December 31, 2021, the Association has met its objective of having sufficient liquid resources to meet its current obligations.

13. COVID-19

In 2021, the governments worldwide continued enacting emergency measures to combat the spread of COVID-19 new variants including travel restrictions in and out of and within Canada, barring gatherings of people and requirements to stay home. These restrictions impacted the operations of the Association with all staff still working from home. All the in-person courses and events were shifted to online delivery and the Association continued to provide members with services to ensure they are able to access information to continue to complete every payroll accurately and on-time.

Management continued to consider the impact of COVID-19 in its assessment of the Association's assets and liabilities and its ability to continue as a going concern. Although COVID-19 continued to impact the Association's operations, management believes that the Association continues to have sufficient resources to manage the operations through the next year.