

National Payroll Institute/ L'Institut national de la paie

**Financial statements
December 31, 2023**



Independent auditor's report

To the Members of
National Payroll Institute/L'Institut national de la paie

Opinion

We have audited the financial statements of **National Payroll Institute/L'Institut national de la paie** [the "Institute"], which comprise the balance sheet as at December 31, 2023, 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 Institute as at December 31, 2023, 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 Institute 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute'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 Institute'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 Institute'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 Institute 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 22, 2024

Chartered Professional Accountants
Licensed Public Accountants



**National Payroll Institute/
L'Institut national de la paie**

Balance sheet

As at December 31

	2023	2022
	\$	\$
Assets		
Current		
Cash	1,478,692	1,011,267
Short-term investments, fair value <i>[note 4]</i>	1,606,131	1,441,497
Accounts receivable <i>[note 11]</i>	331,373	199,726
Prepaid expenses and other assets	1,099,133	1,069,105
Total current assets	4,515,329	3,721,595
Long-term investments, fair value <i>[note 4]</i>	25,906,904	25,909,168
Capital assets, net <i>[note 5]</i>	759,365	1,034,456
	31,181,598	30,665,219
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	2,034,114	1,864,149
Deferred revenue <i>[note 7]</i>	4,629,860	3,927,645
Current portion of leasehold inducements	81,050	81,050
Total current liabilities	6,745,024	5,872,844
Leasehold inducements	110,250	251,994
Total liabilities	6,855,274	6,124,838
Commitments <i>[note 10]</i>		
Net assets		
Unrestricted	24,326,324	24,540,381
	31,181,598	30,665,219

See accompanying notes

On behalf of the Board:



Chair of the Board



Treasurer

**National Payroll Institute/
L'Institut national de la paie**

Statement of changes in net assets

Year ended December 31

	2023	2022
	\$	\$
Unrestricted net assets, beginning of year	24,540,381	31,723,306
Deficiency of revenue over expenses for the year	(214,057)	(7,182,925)
Unrestricted net assets, end of year	24,326,324	24,540,381

See accompanying notes

**National Payroll Institute/
L'Institut national de la paie**

Statement of operations

Year ended December 31

	2023	2022
	\$	\$
Revenue		
Professional accreditation fees	8,799,111	8,581,259
Seminars and conferences	6,123,924	5,324,098
Membership fees	5,770,688	5,570,603
Publications and royalties	226,825	277,008
	20,920,548	19,752,968
Expenses		
Administration and membership	7,403,953	7,159,341
Seminars and conferences	4,117,321	3,677,357
Professional accreditation operations and redevelopment	3,647,979	4,113,646
Communications and marketing	3,138,099	3,382,263
Content development	1,786,653	1,827,003
Government legislative affairs	933,999	907,635
Institute governance	492,430	428,192
Research	52,970	32,327
	21,573,404	21,527,764
Deficiency of revenue over expenses before the following	(652,856)	(1,774,796)
Strategic investment projects	(2,252,784)	(2,588,776)
Investment income (loss) <i>[note 8]</i>	2,691,583	(2,819,353)
Deficiency of revenue over expenses for the year	(214,057)	(7,182,925)

See accompanying notes

**National Payroll Institute/
L'Institut national de la paie**

Statement of cash flows

Year ended December 31

	2023	2022
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(214,057)	(7,182,925)
Add (deduct) items not involving cash		
Reinvested investment income, net of unrealized losses	(2,662,370)	2,831,630
Amortization of capital assets	458,677	527,466
	(2,417,750)	(3,823,829)
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(131,647)	179,813
Decrease (increase) in prepaid expenses and other assets	(30,028)	7,137
Increase (decrease) in accounts payable and accrued liabilities	169,965	(292,896)
Increase (decrease) in deferred revenue	702,215	(286,703)
Decrease in leasehold inducements	(141,744)	(122,707)
Cash used in operating activities	(1,848,989)	(4,339,185)
Investing activities		
Withdrawal of investments	2,500,000	1,000,000
Purchase of capital assets	(183,586)	(202,722)
Cash provided by investing activities	2,316,414	797,278
Net increase (decrease) in cash during the year	467,425	(3,541,907)
Cash, beginning of year	1,011,267	4,553,174
Cash, end of year	1,478,692	1,011,267

See accompanying notes

Notes to financial statements

December 31, 2023

1. Mission

The National Payroll Institute/L'Institut national de la paie ["NPI" or the "Institute"] is the national association representing employers' payroll needs since 1978. NPI is setting the standard of professional excellence and cultivating and delivering expertise that is vital to the health of every business, critical to the economy, and essential to shaping public policy in Canada. The Institute provides knowledge and resources that more than 40,000 payroll professionals need to realize their potential, that employers depend on for the payment of wages and taxable benefits, and that governments rely on to receive statutory remittances to fund critical programs each year. The Institute's designations are recognized for expertise and professionalism, and the only such designations for payroll in Canada. The Institute has continued under the *Canada Not-for-profit Corporations Act* as a corporation without share capital. The Institute is a not-for-profit organization and, as such, is exempt from income taxes under Section 149[1][I] 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*, "Accounting Standards for Not-for-profit Organizations", 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. Accreditation 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, any investments in fixed income securities and alternative investments that the Institute 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.

**National Payroll Institute/
L'Institut national de la paie**

Notes to financial statements

December 31, 2023

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
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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 Institute'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 Institute 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 Institute 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 Institute. As at December 31, 2023, the bank's prime rate was 7.2% [2022 – 6.45%]. As at December 31, 2023 and 2022, the line of credit facility was not utilized.

Notes to financial statements

December 31, 2023

4. Investments

Investments have an asset mix as follows:

Short-term investments

	2023	2022
	\$	\$
Cash and cash equivalents	1,606,131	1,441,497

Long-term investments

	2023	2022
	\$	\$
Canadian fixed income securities	7,526,842	6,456,473
Global fixed income securities	3,254,850	3,360,829
Canadian equities	6,103,363	6,445,358
US equities	4,549,644	4,397,846
Other foreign equities	2,888,563	2,930,171
Long-term debt alternative funds	1,583,642	2,318,491
	25,906,904	25,909,168

Interest rates on fixed income securities range from 1.10% to 2.75% [2022 – 1.25% to 2.75%] and maturity dates range from June 3, 2024 to September 1, 2028 [2022 – September 8, 2023 to September 1, 2027].

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

Notes to financial statements

December 31, 2023

5. Capital assets

Capital assets consist of the following:

	2023		
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Tangible			
Leasehold improvements	1,862,959	1,569,180	293,779
Stationary office furniture	392,614	316,934	75,680
Other office furniture and equipment	689,943	587,911	102,032
	2,945,516	2,474,025	471,491
Intangible			
Program and system software costs			
Accreditation and seminar development	1,942,705	1,767,866	174,839
Software	1,828,611	1,715,576	113,035
	3,771,316	3,483,442	287,874
	6,716,832	5,957,467	759,365
2022			
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Tangible			
Leasehold improvements	1,860,945	1,348,686	512,259
Stationary office furniture	392,614	266,032	126,582
Other office furniture and equipment	844,279	748,873	95,406
	3,097,838	2,363,591	734,247
Intangible			
Program and system software costs			
Accreditation and seminar development	1,884,205	1,710,008	174,197
Software	1,824,364	1,698,352	126,012
	3,708,569	3,408,360	300,209
	6,806,407	5,771,951	1,034,456

During the year, fully amortized capital assets of \$273,161 [2022 – \$41,729] were written off.

6. Government remittances

Included in accounts payable and accrued liabilities are government remittances payable of nil [2022 – \$16,088].

**National Payroll Institute/
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Notes to financial statements

December 31, 2023

7. Deferred revenue

Deferred revenue consists of the following:

	2023	2022
	\$	\$
Membership	3,146,282	3,024,343
Accreditation	897,111	842,771
Seminars and conferences	586,467	60,531
	4,629,860	3,927,645

8. Investment income (loss)

Investment income (loss) consists of the following:

	2023	2022
	\$	\$
Unrealized gains (losses) on investments, net	2,018,060	(3,381,889)
Interest and dividends	673,523	562,536
	2,691,583	(2,819,353)

9. Group registered retirement savings plan – employee benefits

During the year, the Institute contributed approximately \$276,953 [2022 – \$257,082] to a group registered retirement savings plan.

10. Commitments

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

	\$
2024	2,448,000
2025	1,001,000
2026	627,000
2027	658,000
2028	10,000
	4,744,000

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

Notes to financial statements

December 31, 2023

11. Financial instruments and risk management

The Institute 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 Institute 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 Institute. 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 Institute 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 Institute 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 Institute 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 Institute's results of operations.

Other price risk

The Institute 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 Institute manages this risk by monitoring against its benchmark asset mix, which reflects the Institute's risk appetite.

Credit risk

The Institute is exposed to credit risk in connection with its fixed income and alternative 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 Institute 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 Institute 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 Institute. As at December 31, 2023, one debtor [2022 – one debtor] represents 85% [2022 – 49%] of the Institute's accounts receivable balance of \$331,373 [2022 – \$174,144]. While there is a concentration of credit risk with this debtor, a significant portion of outstanding balances have been received subsequent to year-end. As such, the credit risk associated with this debtor is minimal.

Notes to financial statements

December 31, 2023

12. Capital management

The Institute'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 Institute has established a target of having 9 to 12 months of normal operating expenses held in liquid assets. As at December 31, 2023, the Institute has met its objective of having sufficient liquid resources to meet its current obligations.