# THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

(operating as CBV Institute)

**Financial Statements**

**Year ended December 31, 2018**

**THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS**

(operating as CBV Institute)

**Index to Financial Statements**

**December 31, 2018**

Adams & Miles LLP
Chartered Professional Accountants

501-2550 Victoria Park Ave.
Toronto, ON M2J 5A9
Tel 416 502.2201
Fax 416 502.2210

200-195 County Court Blvd.
Brampton, ON L6W 4P7
Tel 905 459.5605
Fax 905 459.2893

# INDEPENDENT AUDITOR'S REPORT

To the Members of
The Canadian Institute of Chartered Business Valuators

*Report on the Audit of the Financial Statements*

*Opinion*
We have audited the financial statements of The Canadian Institute of Chartered Business Valuators (operating as CBV Institute), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at December 31, 2018, 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 (ASNPO).

*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.

*Information other than the Financial Statements and Auditor's Report thereon*
Management is responsible for the other information. The other information comprises:

- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*
Management and Directors are responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

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


www.adamsmiles.com
An independent firm associated with AGN International Ltd.

*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.

**INDEPENDENT AUDITOR'S REPORT - cont'd**

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.

*Adams & Miles LLP*

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 3, 2019

**THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS**

(operating as CBV Institute)

**Statement of Financial Position**

**December 31, 2018**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and cash equivalents (Note 3) | $ 487,172 | $ 241,416 |
| Accounts and sundry receivable | 102,404 | 71,935 |
| Government remittances receivable | 42,880 | 37,732 |
| Prepaid expenditures | 29,675 | 41,415 |
| Investments (Note 4) | 2,347,870 | 2,128,085 |
| | 3,010,001 | 2,520,583 |
| Capital assets, website and database (Note 5) | 106,932 | 91,884 |
| Prepaid expenditures | 31,106 | 20,606 |
| | 3,148,039 | 2,633,073 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | 170,413 | 201,370 |
| Deferred revenue | 18,460 | 15,708 |
| Current portion of deferred lease inducement (Note 6) | 8,420 | 8,420 |
| | 197,293 | 225,498 |
| Deferred lease inducement (Note 6) | 59,640 | 68,060 |
| | 256,933 | 293,558 |
| **Net assets** | $ 2,891,106 | $ 2,339,515 |
| **Net assets represented by:** | | |
| Unrestricted Surplus Fund | $ 2,407,667 | $ 1,890,385 |
| Conduct and Disciplinary Fund | 376,507 | 357,246 |
| Capital Assets, Website and Database Fund | 106,932 | 91,884 |
| | $ 2,891,106 | $ 2,339,515 |

Approved on behalf of the Board:

Scott Lawritsen, Secretary/Treasurer

Doug McPhee, Director

## THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

(operating as CBV Institute)

### Statement of Changes in Net Assets
### Year ended December 31, 2018

| | Unrestricted Surplus Fund | Conduct and Disciplinary Fund | Capital Assets, Website and Database Fund | Total 2018 |
|---|---|---|---|---|
| **Balance, beginning of year** | $ 1,890,385 | $ 357,246 | $ 91,884 | $ 2,339,515 |
| Excess (deficiency) of revenue over expenditures | 556,176 | 19,261 | (23,846) | 551,591 |
| Purchase of assets | (38,894) | - | 38,894 | - |
| **Balance, end of year** | $ 2,407,667 | $ 376,507 | $ 106,932 | $ 2,891,106 |

| | Unrestricted Surplus Fund | Conduct and Disciplinary Fund | Capital Assets, Website and Database Fund | Total 2017 |
|---|---|---|---|---|
| **Balance, beginning of year** | $ 1,916,703 | $ 302,455 | $ 42,767 | $ 2,261,925 |
| Excess (deficiency) of revenue over expenditures | 72,925 | 54,791 | (50,126) | 77,590 |
| Purchase of assets | (99,243) | - | 99,243 | - |
| **Balance, end of year** | $ 1,890,385 | $ 357,246 | $ 91,884 | $ 2,339,515 |

## THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

(operating as CBV Institute)

### Statement of Operations
### Year ended December 31, 2018

| | Unrestricted Surplus Fund | Internally Restricted Funds | Total 2018 | Total 2017 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Course and examination fees | $ 2,225,425 | $ - | $ 2,225,425 | $ 982,725 |
| Membership fees | 1,662,199 | - | 1,662,199 | 1,568,193 |
| Continuing professional development | 402,734 | - | 402,734 | 427,501 |
| Conduct and disciplinary fees | - | 35,405 | 35,405 | 34,275 |
| | 4,290,358 | 35,405 | 4,325,763 | 3,012,694 |
| **Expenditures** | | | | |
| Salaries, office and administration | 2,043,805 | - | 2,043,805 | 1,927,935 |
| Course and examination | 1,104,093 | - | 1,104,093 | 684,105 |
| Continuing professional development | 400,280 | - | 400,280 | 267,965 |
| Marketing and communications | 211,273 | - | 211,273 | 136,562 |
| Amortization | - | 23,846 | 23,846 | 50,126 |
| Conduct and disciplinary (recovery) | - | 20,919 | 20,919 | (8,012) |
| | 3,759,451 | 44,765 | 3,804,216 | 3,058,681 |
| **Excess (deficiency) of revenue over expenditures from operations** | 530,907 | (9,360) | 521,547 | (45,987) |
| **Other** | | | | |
| Investment income (Note 7) | 63,892 | 12,074 | 75,966 | 61,493 |
| Gain (loss) on investments (Note 8) | (38,623) | (7,299) | (45,922) | 36,848 |
| Other | - | - | - | 25,236 |
| | 25,269 | 4,775 | 30,044 | 123,577 |
| **Excess (deficiency) of revenue over expenditures** | $ 556,176 | $ (4,585) | $ 551,591 | $ 77,590 |

## THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

(operating as CBV Institute)

### Statement of Cash Flows

### Year ended December 31, 2018

| | 2018 | 2017 |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenue over expenditures | $ 551,591 | $ 77,590 |
| Amortization | 23,846 | 50,126 |
| Promissory note impairment | - | 53,055 |
| Loss (gain) on investments | 45,922 | (36,848) |
| Non-cash investment income distribution | (15,793) | - |
| | 605,566 | 143,923 |
| Change in | | |
| Accounts receivable | (30,469) | 119,670 |
| Prepaid expenditures | 1,240 | (9,643) |
| Accounts payable and accrued liabilities | (30,957) | (509,868) |
| Government remittances payable | (5,148) | (53,950) |
| Deferred revenue | 2,752 | (3,487) |
| | 542,984 | (313,355) |
| **Financing activities** | | |
| Increase (decrease) in deferred lease inducement | (8,420) | 54,078 |
| | (8,420) | 54,078 |
| **Investing activities** | | |
| Investment purchases | (249,914) | (721,823) |
| Investment proceeds | - | 871,042 |
| Loan receivable | - | 19,516 |
| Promissory note - repayment | - | 32,877 |
| Purchase of capital assets, website and database | (38,894) | (78,070) |
| | (288,808) | 123,542 |
| **Change in cash position** | 245,756 | (135,735) |
| **Cash and cash equivalents, beginning of year** | 241,416 | 377,151 |
| **Cash and cash equivalents, end of year** | $ 487,172 | $ 241,416 |
| **Cash** | $ 87,172 | $ 241,416 |
| **Cash equivalents** | 400,000 | - |
| **Cash and cash equivalents, end of year** | $ 487,172 | $ 241,416 |

## 1. Nature of operations

The Canadian Institute of Chartered Business Valuators operating as CBV Institute ("Institute") was incorporated without share capital on January 6, 1971 under the Canada Corporations Act as a non share corporation. The Institute is a not-for-profit organization exempt from taxes under the Income Tax Act.

The Institute is a valuation professional organization that establishes the highest standards of business valuation practice and education and confers upon its members the CBV designation.

## 2. Summary of significant accounting policies

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 amount of the Institute's assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. A significant estimate is the allowance on the promissory note. These estimates are reviewed periodically and, as adjustments become necessary, they are reported as revenue or expenditures in the Statement of Operations in the year in which they become known.

**Fund accounting**

The accounts of the Institute are maintained in accordance with the principles of fund accounting and accordingly the resources are classified for accounting and reporting purposes into funds determined by the purpose for which those funds are held as follows:

*Unrestricted Surplus Fund* - This fund includes unrestricted revenue sources received from membership fees, course and examination fees, continuing professional development activities, and an allocation of investment income, realized and unrealized gain or loss on carrying value of investments together with day-to-day operating expenditures.

*Conduct and Disciplinary Fund* - This internally restricted fund includes the annual conduct and disciplinary fee received net of expenditures associated with conduct and disciplinary activities and an allocation of investment income and realized and unrealized gains and losses on the carrying value of the investments.

*Capital Assets, Website and Database Fund* - This internally restricted fund includes any additions or disposals of capital and intangible assets, net of amortization.

## 2. Summary of significant accounting policies - cont'd

**Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

**Investments**

Investments, consisting of units held in pooled investment funds, are classified as current since they are capable of reasonably prompt liquidation.

Transactions costs and investment fees are expensed when incurred.

**Capital assets, website and database**

Capital assets, website and database are stated at cost. Amortization is recorded at the following annual rates:

| | |
|---|---|
| Furniture and fixtures | 5 years straight-line |
| Computer equipment | 3 years straight-line |
| Website and database | 2 years straight-line |

Leasehold improvements are amortized over the term of the lease.

In the year of addition, amortization is calculated based on the number of months owned.

**Deferred lease inducement**

The deferred lease inducement is being amortized into operations on a straight-line basis over the term of the lease.

## 2. Summary of significant accounting policies - cont'd

**Revenue recognition**

Course, examination fees and continuing professional development:

Course, examination fees and continuing professional development revenues are recognized at the earlier of when the related course, examination or continuing professional development event is presented or held or when the non-refundable period has passed.

Membership:

Membership and conduct and disciplinary fees are recognized in the fiscal year to which they relate.

Investment income:

Investment income consists of interest, dividends and foreign income from investments and is recognized in the year earned.

Gain (loss) on investments:

Investments are carried at fair value. Realized gains/losses are recognized when investments are sold. The unrealized gains/losses recognized are changes in the fair value from carrying value of investments held by the Institute as of year-end.

**Foreign exchange**

Monetary assets and liabilities of the Institute which are denominated in foreign currencies are translated at year-end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenditures are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

## 2. Summary of significant accounting policies - cont'd

### Financial instruments

The Institute initially measures its financial assets and financial liabilities at fair value.

The Institute subsequently measures its financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at amortized cost include cash and cash equivalents and accounts and sundry receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

## 3. Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| Cash | $ 87,172 | $ 241,416 |
| Short-term investments | 400,000 | - |
| | $ 487,172 | $ 241,416 |

## 4. Investments

| Description of Investments | 2018 | 2017 |
|---|---|---|
| Fixed Income Fund | $ 1,637,467 | $ 1,610,052 |
| Balanced Core Fund | 710,403 | 518,033 |
| | $ 2,347,870 | $ 2,128,085 |

As at year-end, the cost of the investments was $2,368,646 (2017 - $2,118,733).

## 5. Capital assets, website and database

| | 2018 | | | 2017 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Furniture and fixtures | $ 13,808 | $ 5,403 | $ 8,405 | $ 11,167 |
| Computer equipment | 39,065 | 20,408 | 18,657 | 19,627 |
| Leasehold improvements | 67,255 | 12,890 | 54,365 | 61,090 |
| Website and database | 27,450 | 1,945 | 25,505 | - |
| | $ 147,578 | $ 40,646 | $ 106,932 | $ 91,884 |

Included in website and database are additions of $19,670 (2017 - Nil) that were not amortized in the current year as they were not in use as at year-end.

## 6. Deferred lease inducement

Effective February 1, 2017, the Institute entered into a 10 year premise lease agreement and received a lease inducement in the form of leasehold improvements and a rent free period from the landlord. This inducement has been deferred and is being amortized on a straight-line basis over the term of the lease (Note 10).

| | 2018 | 2017 |
|---|---|---|
| Tenant lease inducement | $ 68,060 | $ 76,480 |
| Less current portion | 8,420 | 8,420 |
| | $ 59,640 | $ 68,060 |

## 7. Investment income

| | 2018 | 2017 |
|---|---|---|
| Interest | $ 67,844 | $ 61,493 |
| Dividends and foreign | 8,122 | - |
| | $ 75,966 | $ 61,493 |

## 8. Gains (losses) on investments

| | 2018 | 2017 |
|---|---|---|
| Unrealized gains (losses) on carrying value of investments | $ (62,777) | $ 29,665 |
| Realized gains on sale of investments | 16,855 | 7,183 |
| | $ (45,922) | $ 36,848 |

## 9. Promissory note from IIBV

The Institute has a promissory note from the IIBV that was to be received in 5 equal annual payments and bears interest at 5.00% per annum. The Institute by a general security agreement has a charge against all of the IIBV's undertakings and current and future personal property, which ranks pari passu, equally and ratably with another IIBV creditor.

The amount of promissory note outstanding at year-end is CDN $117,284 (US $87,200) (2017 CDN $109,632 (US $87,200)). The Institute's Management has estimated an allowance as at year-end for the entire balance owing, as it did for 2017, as the collectability of the promissory note is not reasonably certain as of year-end. Principal and interest payments were received in 2017. No payments were received in 2018. Interest on the promissory note has not been accrued in 2018.

Subsequent to year end, the IIBV and the Institute entered into discussions to extend the maturity date of the note from 2021 to 2024, with principal payments to be received in 5 equal annual payments, with the first payment due December 31, 2020.

## 10. Commitments

The Institute operates from leased premises under a lease expiring January 31, 2027. The minimum lease payments are outlined below. In addition, the Institute is responsible for a portion of the common area costs that equates to approximately $87,000 annually.

| | | |
|---|---|---|
| 2019 | $ | 67,605 |
| 2020 | | 67,754 |
| 2021 | | 69,388 |
| 2022 | | 69,537 |
| 2023 | | 69,537 |
| Subsequent years | | 219,755 |
| | $ | 563,576 |

## 11. Financial instruments

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

(a) Foreign exchange risk
The Institute is subject to foreign exchange risk that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates.

The Institute has exchange risk exposure as a result of the following assets being denominated in foreign currencies:

| | US | CAD |
|---|---|---|
| Cash | $ 16,642 | $ 22,387 |

Interest, credit and market risk:
The Institute mitigates this risk and volatility through its investment policy, which permits investments in Federal or Provincial government securities, financial institutions bankers acceptances, guaranteed investment certificates, term deposit receipts, investment savings accounts and fixed income securities. In addition, it permits pooled funds including fixed income funds and balanced funds.

Currently, the Institute mitigates its interest rate price risk by restricting the type of investments and investing in professionally managed pooled investment funds.