CBV Institute

THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

Operating as CBV Institute

FINANCIAL STATEMENTS

Year ended December 31, 2020

INDEX

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and the fair presentation of the annual financial statements and all financial and other information in this Annual Report. These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by the Board of Directors. Financial information contained in the Annual Report is consistent with that shown in the financial statements. 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 of Directors 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 Finance Committee. The Audit and Finance Committee meets with the independent auditor without Management present, to review the activities of each, as well as reviews the financial statements and reports to the Board of Directors thereon. Adam & Miles LLP, the Institute's independent auditor, has been recommended for appointment by the Board of Directors on the recommendation of the Audit and Finance Committee. Their appointment was ratified at the Annual Meeting of Members. The independent auditor has full and unrestricted access to the Audit and Finance Committee and Management to discuss their audit and related findings.

C Sawchuk

Christine Sawchuk, CBV ***President & CEO***

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, 2020, 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, 2020, 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 ASNPOs, 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.

Adams & Miles LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 6, 2021

THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

Operating as CBV Institute

STATEMENT OF FINANCIAL POSITION

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	$ 523,764	$ 640,508
Accounts and sundry receivable	62,648	7,511
Interest receivable (Note 10)	5,604	5,743
Government remittances receivable	43,521	35,953
Prepaid expenditures	40,635	42,958
Investments (Note 4)	2,851,694	2,581,342
	3,527,866	3,314,015
Capital assets, website and database (Note 5)	91,147	150,622
Prepaid expenditures	70,905	38,506
	3,689,918	3,503,143
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	240,489	317,932
Deferred revenue	2,878	17,675
Current portion of deferred lease inducement (Note 6)	8,420	8,420
	251,787	344,027
Deferred lease inducement (Note 6)	42,800	51,220
	294,587	395,247
NET ASSETS	$ 3,395,331	$ 3,107,896
NET ASSETS REPRESENTED BY:		
Unrestricted Surplus Fund	$ 2,305,090	$ 2,016,689
Conduct and Disciplinary Fund	499,094	440,585
Capital Assets, Website and Database Fund	91,147	150,622
Transformation and Innovation Fund (Note 7)	500,000	500,000
	$ 3,395,331	$ 3,107,896

Approved on behalf of the Board:

Luc Lafontaine *Vice Chair*

Charlene Rodenhiser *Secretary/Treasurer*

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2020

	Unrestricted Surplus Fund	Conduct and Disciplinary Fund	Capital Assets, Website and Database Fund	Transformation and Innovation Fund	Total 2020
BALANCE, BEGINNING OF YEAR	$ 2,016,689	$ 440,585	$ 150,622	$ 500,000	$ 3,107,896
Excess (deficiency) of revenue over expenditures	298,997	58,509	(70,071)	—	287,435
Purchase of assets	(10,596)	—	10,596	—	—
Inter-fund transfer (Note 7)	—	—	—	—	—
BALANCE, END OF YEAR	$ 2,305,090	$ 499,094	$ 91,147	$ 500,000	$ 3,395,331

	Unrestricted Surplus Fund	Conduct and Disciplinary Fund	Capital Assets, Website and Database Fund	Transformation and Innovation Fund	Total 2019
BALANCE, BEGINNING OF YEAR	$ 2,407,667	$ 376,507	$ 106,932	—	$ 2,891,106
Excess (deficiency) of revenue over expenditures	207,423	64,078	(54,711)	—	216,790
Purchase of assets	(98,401)	—	98,401	—	—
Inter-fund transfer (Note 7)	(500,000)	—	—	$ 500,000	—
BALANCE, END OF YEAR	$ 2,016,689	$ 440,585	$ 150,622	$ 500,000	$ 3,107,896

STATEMENT OF OPERATIONS

Year Ended December 31, 2020

	Unrestricted Surplus Fund	Internally Restricted Funds	Total 2020	Total 2019
REVENUE				
Course and examination fees	$ 2,287,779	$ —	$ 2,287,779	$ 2,143,560
Membership fees	1,822,175	—	1,822,175	1,730,921
Continuing professional development	98,328	—	98,328	432,775
Conduct and disciplinary fees	—	37,284	37,284	35,748
	4,208,282	37,284	4,245,566	4,343,004
EXPENDITURES				
Salaries, office and administration	2,576,918	—	2,576,918	2,395,734
Course and examination	1,157,639	—	1,157,639	1,161,713
Marketing and communications	219,419	—	219,419	299,287
Continuing professional development	190,177	—	190,177	474,367
Amortization	—	70,071	70,071	54,711
Conduct and disciplinary	—	30,086	30,086	7,835
	4,144,153	100,157	4,244,310	4,393,647
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	64,129	(62,873)	1,256	(50,643)
OTHER				
Gains on investments (Note 9)	166,054	36,278	202,332	165,985
Investment income (Note 8)	68,814	15,033	83,847	101,448
	234,868	51,311	286,179	267,433
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$ 298,997	$ (11,562)	$ 287,435	$ 216,790

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 287,435	$ 216,790
Amortization	70,071	54,711
Gains on investments	(202,332)	(165,985)
Non-cash investment income distribution	19,243	(3,645)
	174,417	101,871
CHANGE IN		
Accounts and sundry receivable	(55,137)	94,893
Interest receivable	139	(5,743)
Prepaid expenditures	(30,076)	(20,683)
Accounts payable and accrued liabilities	(77,443)	147,519
Government remittances receivable/payable	(7,568)	6,927
Deferred revenue	(14,797)	(785)
	(10,465)	323,999
FINANCING ACTIVITIES		
Decrease in deferred lease inducement	(8,420)	(8,420)
INVESTING ACTIVITIES		
Investment purchases	(87,263)	(63,842)
Purchase of capital assets, website and database	(10,596)	(98,401)
	(97,859)	(162,243)
CHANGE IN CASH POSITION	(116,744)	153,336
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	640,508	487,172
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 523,764	$ 640,508
CASH	$ 272,524	$ 240,219
CASH EQUIVALENTS	251,240	400,289
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 523,764	$ 640,508

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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 the CBV designation to individuals who have qualified to receive it and become Members.

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 gains and losses 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.

Transformation and Innovation Fund

This internally restricted fund was established for costs related to artificial intelligence, data science and other education initiatives.

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 purchase, amortization is calculated based on the number of months owned.

Capital assets, website and database are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Internally generated intangible assets

The development of internally generated course material and content is expensed into the Statement of Operations in the year it is incurred.

Deferred lease inducement

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

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.

Gains (losses) on investments

Investments are carried at fair value. Realized gains and losses are recognized when investments are sold. The unrealized gains and 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.

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, accounts and sundry receivable and interest receivable.

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

3. CASH & CASH EQUIVALENTS

	2020	2019
Cash	$ 272,525	$ 240,219
Short-term investment	251,239	400,289
	$ 523,764	$ 640,508

The short-term investment consists of a guaranteed investment certificate that matures on January 20, 2021 (2019 - March 18, 2020) with an annual interest rate of 0.41% (2019 - 2.03%)

4. INVESTMENTS

Description of Investments	2020	2019
Fixed Income Fund	$ 1,929,501	$ 1,744,516
Balanced Core Fund	922,193	836,826
	$ 2,851,694	$ 2,581,342

As at year-end, the cost of the investments was $2,648,807 (2019 - $2,504,345).

5. CAPITAL ASSETS, WEBSITE AND DATABASE

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	$ 25,866	$ 15,548	$ 10,318	$ 15,492
Computer equipment	66,984	40,174	26,810	38,508
Leasehold improvements	67,255	26,341	40,914	47,639
Website and database	75,645	62,540	13,105	48,983
	$ 235,750	$ 144,603	$ 91,147	$ 150,622

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 11).

	2020	2019
Tenant lease inducement	$ 51,220	$ 59,640
Less current portion	8,420	8,420
	$ 42,800	$ 51,220

7. INTERFUND TRANSFER

During the prior year, $500,000 was transferred from the Unrestricted Surplus Fund to the Transformation and Innovation Fund, an internally restricted fund.

8. INVESTMENT INCOME

	2020	2019
Interest	$ 74,373	$ 90,938
Dividends and foreign	9,474	10,510
	$ 83,847	$ 101,448

9. GAINS ON INVESTMENTS

	2020	2019
Unrealized gains on carrying value of investments	$ 125,890	$ 130,420
Realized gains on sale of investments	76,442	35,565
	$ 202,332	$ 165,985

10. PROMISSORY NOTE FROM IIBV

The Institute has a promissory note from the IIBV that was renegotiated in 2019 to be received in 5 equal annual payments commencing in 2020 and bears interest at 5.00% per annum (US $21,800 was received in 2020 representing a payment on principal and interest). 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 principal amount of promissory note outstanding at year-end is CDN $89,363 (US $69,760) (2019 CDN $114,851 (US $87,200)). The Institute's Management has estimated an allowance as at year-end for CDN $89,363 (US $69,760) (2019 CDN $114,851 (US $87,200)), as the collectability of the promissory note is not reasonably certain as of each year-end.

11. 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.

2021	$ 69,388
2022	69,537
2023	69,537
2024	71,171
2025	71,320
Subsequent years	77,263
	$ 428,216

12. 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	$ 18,460	$ 23,647
Interest receivable	4,375	5,604

(b) 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.

13. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. During fiscal 2020, the Institute canceled certain events which impacted the financial results; however, as at year-end there has been no material impact on the collections of accounts and sundry receivables or the impairment of capital assets, website and database. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.

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