CBV Institute

THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS
Operating as CBV Institute

FINANCIAL STATEMENTS

Year ended December 31, 2021

INDEX

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Canadian Institute of Chartered Business Valuators

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, 2021, 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, 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 (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 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.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 5, 2022

THE CANADIAN INSTITUTE OF CHARTERED BUSINESS VALUATORS

Operating as CBV Institute

STATEMENT OF FINANCIAL POSITION

December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	$ 545,880	$ 523,764
Accounts and sundry receivable	10,471	62,648
Interest receivable (Note 9)	4,422	5,604
Government remittances receivable	38,717	43,521
Prepaid expenditures	91,540	40,635
Investments (Note 4)	2,957,316	2,851,694
	3,648,346	3,527,866
Capital assets, website and database (Note 5)	77,231	91,147
Prepaid expenditures	39,328	70,905
	3,764,905	3,689,918
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	224,437	240,489
Deferred revenue	4,725	2,878
Current portion of deferred lease inducement (Note 6)	8,420	8,420
	237,582	251,787
Deferred lease inducement (Note 6)	34,380	42,800
	271,962	294,587
NET ASSETS	$ 3,492,943	$ 3,395,331
NET ASSETS REPRESENTED BY:		
Unrestricted Surplus Fund	$ 2,370,557	$ 2,305,090
Conduct and Disciplinary Fund	545,155	499,094
Capital Assets, Website and Database Fund	77,231	91,147
Transformation and Innovation Fund	500,000	500,000
	$ 3,492,943	$ 3,395,331

Approved on behalf of the Board:

Luc Lafontaine *Vice Chair*

Charlene Rodenhiser *Secretary/Treasurer*

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2021

	Unrestricted Surplus Fund	Conduct and Disciplinary Fund	Capital Assets, Website and Database Fund	Transformation and Innovation Fund	Total 2021
BALANCE, BEGINNING OF YEAR	$ 2,305,090	$ 499,094	$ 91,147	$ 500,000	$ 3,395,331
Excess (deficiency) of revenue over expenditures	99,793	46,061	(48,242)	—	97,612
Purchase of assets	(34,326)	—	34,326	—	—
BALANCE, END OF YEAR	$ 2,370,557	$ 545,155	$ 77,231	$ 500,000	$ 3,492,943

	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	—	—
BALANCE, END OF YEAR	$ 2,305,090	$ 499,094	$ 91,147	$ 500,000	$ 3,395,331

STATEMENT OF OPERATIONS

Year Ended December 31, 2021

	Unrestricted Surplus Fund	Internally Restricted Funds	Total 2021	Total 2020
REVENUE				
Course and examination fees	$ 2,044,805	$ —	$ 2,044,805	$ 2,287,779
Membership fees	1,911,043	—	1,911,043	1,822,175
Continuing professional development	320,250	—	320,250	98,328
Conduct and disciplinary fees	—	40,545	40,545	37,284
	4,276,098	40,545	4,316,643	4,245,566
EXPENDITURES				
Salaries, office and administration	2,581,600	—	2,581,600	2,576,918
Course and examination	1,166,566	—	1,166,566	1,157,639
Marketing and communications	326,910	—	326,910	219,419
Continuing professional development	192,021	—	192,021	190,177
Amortization	—	48,242	48,242	70,071
Conduct and disciplinary	—	12,173	12,173	30,086
	4,267,097	60,415	4,327,512	4,244,310
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	9,001	(19,870)	(10,869)	1,256
OTHER				
Investment income (Note 7)	59,344	11,562	70,906	83,847
Gains on investments (Note 8)	31,448	6,127	37,575	202,332
	90,792	17,689	108,481	286,179
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$ 99,793	$ (2,181)	$ 97,612	$ 287,435

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 97,612	$ 287,435
Amortization	48,242	70,071
Gains on investments	(37,575)	(202,332)
Non-cash investment income distribution	(7,098)	19,243
	101,181	174,417
CHANGE IN		
Accounts and sundry receivable	52,177	(55,137)
Interest receivable	1,182	139
Government remittances receivable	4,804	(7,568)
Prepaid expenditures and deposits	(19,328)	(30,076)
Accounts payable and accrued liabilities	(16,052)	(77,443)
Deferred revenue	1,847	(14,797)
	125,811	(10,465)
FINANCING ACTIVITIES		
Decrease in deferred lease inducement	(8,420)	(8,420)
INVESTING ACTIVITIES		
Proceeds on disposal of investments	171,000	—
Investment purchases	(231,949)	(87,263)
Purchase of capital assets, website and database	(34,326)	(10,596)
	(95,275)	(97,859)
CHANGE IN CASH AND CASH EQUIVALENTS POSITION	22,116	(116,744)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	523,764	640,508
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 545,880	$ 523,764
CASH	$ 393,774	$ 272,524
CASH EQUIVALENTS	152,106	251,240
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 545,880	$ 523,764

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2021

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. Significant estimates include the allowance on the promissory note and estimated useful lives of capital assets, website and database. 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 course and examination fees, membership 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 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 carried at fair market value based on the quoted market price and are classified as current since they are capable of reasonably prompt liquidation. Any changes in the fair market value of the investments are recorded in the Statement of Operations.

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:

Furnitures 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 when the related course, examination or continuing professional development event is presented or held.

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 the Statement of 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

	2021	2020
Cash	$ 393,774	$ 272,524
Short term investment	152,106	251,240
	$ 545,880	$ 523,764

The short-term investment consists of a cashable guaranteed investment certificate that matures on June 6, 2022 (2020 - January 20, 2021) with an annual interest rate of 0.55% (2020 - 0.41%).

4. INVESTMENTS

Description of Investments	2021	2020
Fixed Income Fund	$ 2,060,269	$ 1,929,501
Balanced Core Fund	897,047	922,193
	$ 2,957,316	$ 2,851,694

As at year-end, the cost of the investments was $2,816,079 (2020 - $2,648,807).

5. CAPITAL ASSETS, WEBSITE AND DATABASE

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	$ 25,866	$ 20,842	$ 5,024	$ 10,318
Computer equipment	94,513	56,494	38,019	26,810
Leasehold improvements	67,255	33,067	34,188	40,914
Website and database	58,195	58,195	—	13,105
	$ 245,829	$ 168,598	$ 77,231	$ 91,147

6. DEFERRED LEASE INDUCEMENT

Effective February 1, 2017, the Institute entered into a 10 year premises 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).

	2021	2020
Tenant lease inducement	$ 42,800	$ 51,220
Less current portion	8,420	8,420
	$ 34,380	$ 42,800

7. INVESTMENT INCOME

	2021	2020
Interest	$ 57,524	$ 74,373
Dividends and foreign	13,382	9,474
	$ 70,906	$ 83,847

8. GAINS ON INVESTMENTS

	2020	2020
Unrealized (loss) gain on carrying value of investments	$ (61,651)	$ 125,890
Realized gains on sale of investments	99,226	76,442
	$ 37,575	$ 202,332

9. PROMISSORY NOTE FROM IIBV

The Institute has a promissory note from the International Institute of Business Valuers ("IIBV") that was renegotiated in 2019 to be received in 5 equal annual payments commencing in 2020 and earns interest at 5.00% per annum (US $26,175 was received in 2021 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 $60,804 (US $47,960) (2020 CDN $89,363 (US $69,760)). The Institute's Management has estimated an allowance as at year-end for CDN $60,804 (US $47,960) (2020 CDN $89,363 (US $69,760)), as the collectability of the promissory note is not reasonably certain as of each year-end.

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.

2022	$ 69,537
2023	69,537
2024	71,171
2025	71,320
2026	71,320
Subsequent year	5,943
	$ 358,828

The Institute has committed to hold one congress in each year from 2022 to 2024. The outstanding minimum commitments for the congresses are as follows:

2022	$ 140,000
2023	105,000
2024	27,000
	$ 272,000

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	$ 21,836	$ 27,950
Interest receivable	3,488	4,422

(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.

The Institute mitigates this risk by restricting the type of investments and investing in professionally managed pooled investment funds.

12. SUBSEQUENT EVENT

Subsequent to year-end, the Institute commenced restructuring activities to better align with its current strategic direction. As a result, the Institute could be subject to restructuring costs that may be material to the entity.

13. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The impact of the COVID-19 pandemic on the Institute to- date has not been significant. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time and can not be reasonably determined.

Chartered Business Valuators Institute | L'Institut des experts en évaluation d'entreprises

cbvinstitute.com
416 977 1117

277 Wellington Street West
Suite 808, Toronto, Ontario
M5V 3E4