

Canadian Institute of Actuaries
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the members of the
Canadian Institute of Actuaries

Opinion

We have audited the accompanying financial statements of the Canadian Institute of Actuaries (the "Institute"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2020, and the results of its 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.

Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Annual report

Our opinion on the financial statements does not cover the other information and we do 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.

We obtained the Annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 16, 2020

Canadian Institute of Actuaries
Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash	\$ 962,515	\$ 1,013,810
Accounts receivable (Note 2)	29,831	36,792
Prepaid expenses	422,279	366,399
Investments (Note 3)	900,538	263,694
	2,315,163	1,680,695
Investments (Note 3)	5,931,881	6,943,637
Tangible and intangible capital assets (Note 4)	558,365	516,727
	\$ 8,805,409	\$ 9,141,059
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 761,326	\$ 1,104,599
Deferred revenue (Note 6)	1,107,569	1,358,035
	1,868,895	2,462,634
Contractual obligations (Note 7)		
Subsequent event (Note 9)		
Net Assets		
Invested in tangible and intangible capital assets	558,365	516,727
Internally restricted - Discipline Tribunals (Note 8)	496,629	612,256
Internally restricted - Research (Note 8)	539,624	469,948
Unrestricted	5,341,896	5,079,494
	6,936,514	6,678,425
	\$ 8,805,409	\$ 9,141,059

On behalf of the board:

_____ Director

_____ Director

Canadian Institute of Actuaries
Statement of Changes in Net Assets

For the year ended March 31

2020

2019

	Invested in tangible and intangible capital assets	Internally restricted - Discipline Tribunals	Internally restricted - Research	Unrestricted	Total	Total
Balance, beginning of the year	\$ 516,727	\$ 612,256	\$ 469,948	\$ 5,079,494	\$ 6,678,425	\$ 6,289,607
Excess (deficiency) of revenues over expenses	-	(253,371)	(352,324)	863,784	258,089	388,818
Purchase of tangible and intangible capital assets	149,012	-	-	(149,012)	-	-
Amortization of tangible and intangible capital assets	(107,374)	-	-	107,374	-	-
Internal restrictions (Note 8)	-	137,744	422,000	(559,744)	-	-
Balance, end of the year	\$ 558,365	\$ 496,629	\$ 539,624	\$ 5,341,896	\$ 6,936,514	\$ 6,678,425

The notes are an integral part of these financial statements.

Canadian Institute of Actuaries
Statement of Operations

For the year ended March 31	2020	2019
Revenues		
Membership dues	\$ 5,774,368	\$ 5,312,941
General meetings and seminars	1,719,789	1,745,624
Investment income	1,007,792	206,392
Advertising	40,655	63,422
Miscellaneous	32,969	25,657
Change in fair value of investments	(866,007)	176,992
	<u>7,709,566</u>	<u>7,531,028</u>
Expenses		
Salaries and staff benefits	3,247,323	2,960,933
General meetings and seminars	1,147,007	1,201,306
Professional fees (Schedule 1)	549,135	481,691
Travel reimbursements, meeting expenses and volunteer awards (Schedule 2)	496,704	440,558
Rent and operating expenses	420,902	398,873
Research studies and surveys (Note 8)	352,324	493,831
Discipline tribunals (Note 8)	253,371	137,744
Supplies and services (Schedule 3)	227,666	277,879
Miscellaneous and bank charges	175,755	139,242
Translation	164,597	165,845
Staff travel	132,486	131,606
Staffing	77,937	96,060
Marketing and branding	65,302	98,202
Student and career outreach	54,762	41,193
Government relations	42,853	39,293
Grants and scholarships	30,000	30,000
Publishing - general printing	11,149	5,802
Foreign exchange loss	2,354	2,252
Gain on disposal of tangible and intangible capital assets	(150)	(100)
	<u>7,451,477</u>	<u>7,142,210</u>
Excess of revenues over expenses	\$ 258,089	\$ 388,818

Canadian Institute of Actuaries
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Cash receipts from members	\$ 7,380,076	\$ 7,284,733
Cash paid to suppliers and employees	(7,799,205)	(7,191,428)
Investment income received	1,007,792	206,392
	<u>588,663</u>	<u>299,697</u>
Cash flows from investing activities		
Acquisition of tangible and intangible capital assets	(149,012)	(64,921)
Proceeds from disposal of tangible capital assets	150	100
Change in investments	(491,096)	(2,179,549)
	<u>(639,958)</u>	<u>(2,244,370)</u>
Net decrease in cash	(51,295)	(1,944,673)
Cash, beginning of the year	<u>1,013,810</u>	<u>2,958,483</u>
Cash, end of the year	<u>\$ 962,515</u>	<u>\$ 1,013,810</u>

Canadian Institute of Actuaries Notes to Financial Statements

March 31, 2020

1. Accounting Policies

Purpose of Organization	The Canadian Institute of Actuaries (the "Institute") was incorporated by an Act of Parliament of Canada on March 18, 1965. The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Its 5,900+ members are dedicated to providing actuarial services and advice of the highest quality. The Institute puts the public interest ahead of the needs of the profession and those of its members. The Institute is a not-for-profit organization under the Income Tax Act and as such is exempt from income taxes.
Basis of Accounting	The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>Revenue from general meetings and seminars is recognized when the event takes place.</p> <p>Membership dues are recognized as revenue proportionately over the year to which they relate. Membership dues cover three, six, nine and twelve periods ending May 31. Deferred membership fees consist of a two-month portion of the 2019-2020 membership fees and amounts received as prepayment for the 2020-2021 membership dues.</p> <p>Investment income is recognized as earned.</p>
Financial Instruments	<p><u>Initial and subsequent measurement</u></p> <p>The Institute initially measures its financial assets and liabilities at fair value. The Institute subsequently measures all its financial assets and liabilities at amortized cost, except for short-term and long-term investments which it chose to measure at fair value. Changes in fair value are recognized in the statement of operations.</p> <p><u>Impairment</u></p> <p>Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.</p> <p><u>Transaction costs</u></p> <p>Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations of the appropriate fund in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations of the appropriate fund over the life of the instrument using the straight-line method.</p>

Canadian Institute of Actuaries
Notes to Financial Statements

March 31, 2020

1. Accounting Policies (continued)

Tangible Capital Assets	<p>Tangible capital assets are stated at cost less accumulated amortization. Amortization is calculated monthly from the period in which the asset is purchased, using the straight-line method as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Computer equipment</td> <td style="text-align: right;">3 years</td> </tr> <tr> <td>Furniture and office equipment</td> <td style="text-align: right;">5 years</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: right;">lease terms</td> </tr> </table>	Computer equipment	3 years	Furniture and office equipment	5 years	Leasehold improvements	lease terms
Computer equipment	3 years						
Furniture and office equipment	5 years						
Leasehold improvements	lease terms						
Intangible Assets	<p>Intangible assets are stated at cost less accumulated amortization. Amortization is calculated monthly from the period in which the asset is purchased, using the straight-line method as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Computer software</td> <td style="text-align: right;">3 years</td> </tr> </table>	Computer software	3 years				
Computer software	3 years						
Impairment of Tangible and Intangible Capital Assets	<p>When a tangible or intangible capital asset no longer has any long-term service potential to the Institute, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.</p>						
Foreign Currency Translation	<p>Monetary assets and liabilities which are denominated in foreign currencies are translated in Canadian dollars using the exchange rate in effect at the year-end date. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and the liabilities were incurred. Revenues and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting foreign exchange gains or losses are included in the statement of operations.</p>						

2. Accounts Receivable

	2020	2019
Accounts receivable	\$ 11,095	\$ 25,653
Allowance for doubtful accounts	-	(2,899)
IAA receivable (Note 11)	-	2,219
Other	14,678	11,819
NAAC Receivable	4,058	-
	\$ 29,831	\$ 36,792

Canadian Institute of Actuaries
Notes to Financial Statements

March 31, 2020

3. Investments

As at March 31, the Institute's investments consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits		
Credit fund	\$ 900,538	\$ -
Treasury bills	-	224,789
Cash	-	38,905
	<u>\$ 900,538</u>	<u>\$ 263,694</u>
Bonds		
Provinces of Canada	\$ 3,794,903	\$ 1,928,736
Government of Canada	-	1,444,944
Corporate	-	1,300,125
	<u>3,794,903</u>	<u>4,673,805</u>
Index Units		
TSX 60 Index Fund	-	2,269,832
Equities		
Canadian Equity Ethical Fund	1,338,883	-
U.S Equity Ethical Fund	402,888	-
International Equity Ethical Fund	395,207	-
	<u>2,136,978</u>	<u>-</u>
	<u>\$ 5,931,881</u>	<u>\$ 6,943,637</u>

Canadian Institute of Actuaries
Notes to Financial Statements

March 31, 2020

4. Tangible and Intangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment and software	\$ 886,191	\$ 368,739	\$ 738,976	\$ 296,295
Furniture and office equipment	165,900	157,145	164,104	149,780
Leasehold improvements	206,956	174,798	206,956	147,234
	<u>\$ 1,259,047</u>	<u>\$ 700,682</u>	<u>\$ 1,110,036</u>	<u>\$ 593,309</u>
Net carrying amount		<u>\$ 558,365</u>		<u>\$ 516,727</u>

Included in computer equipment and software is \$508,709 (2019 - \$388,997) for a new CRM system. Amortization on the CRM system has begun as of January 1, 2020.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$78,765 (2019 - \$222,232).

During the previous fiscal year, the Institute was made aware of the fact that they may be required to collect and remit QST on registration fees for events held in the province of Québec and on the sale of taxable supplies to residents of the province of Québec. In order to mitigate any further potential liability arising from this situation, the Institute registered for QST on March 1, 2019 and began collecting QST. In addition, the Institute filed a Voluntary Disclosure and submitted a Request for Interpretation to Revenue Québec regarding the nature of the events held by the Institute in Québec and the requirement for the Institute to register for, collect and remit QST. Included in the Voluntary Disclosure were calculations of the potential QST remittances that the Institute should have made over a period of four years from March 1, 2015 to February 28, 2019, amounting to a total of \$134,943. Since the Institute has not yet received a response to the Request for Interpretation and Voluntary Disclosure at March 31, 2020, the full liability has been accrued at year end. Correspondingly, the QST paid on events held by the Institute in Québec since registering for QST on March 1, 2019 has been accrued and will only be claimed once a ruling has been decided by Revenu Québec.

Voluntary disclosure liability	\$ (134,943)
Input tax refund accrued since March 1, 2019	<u>63,673</u>
Net QST payable awaiting ruling	<u>\$ (71,270)</u>

Canadian Institute of Actuaries
Notes to Financial Statements

March 31, 2020

6. Deferred Revenue

	2020	2019
Membership dues	\$ 1,058,273	\$ 999,168
General meetings and seminar	49,296	358,867
	<u>\$ 1,107,569</u>	<u>\$ 1,358,035</u>

7. Contractual Obligations

The Institute has leased premises until May 31, 2021, with a total minimum commitment of \$495,241 and this includes the following payments for the next two years:

2021	\$ 424,492
2022	\$ 70,749

As at March 31, 2020, the Institute signed agreements with venues and other suppliers to host seminars and meetings that will occur over the next two years. With the global COVID-19 outbreak, there is a high level of uncertainty around whether these events will materialize as originally planned. A cancellation fee is normally incurred if events become postponed or cancelled. Due to the unprecedented impact of the COVID-19 outbreak, the Institute is actively renegotiating any anticipated cancellation or rescheduling fees with its suppliers, see note 9. As of this report date, no amended agreements have been signed and the renegotiation process is still ongoing. The following commitments for seminars and meetings were entered into prior to the COVID-19 outbreak. These commitments are likely to be subject to change once the Institute has reached a mutual agreement with its suppliers:

2021	\$ 458,298
2022	\$ 83,383

The Institute has budgeted research commitments for the next year as follows:

2021	\$ 161,701
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Canadian Institute of Actuaries Notes to Financial Statements

March 31, 2020

8. Discipline Tribunals and Research Funds

In 2015, the Institute created an internally restricted net asset for disciplinary tribunals. An internal restriction of \$137,744 (2019 - \$33,991) from the unrestricted net assets was authorized by the Board of Directors during the year.

During the year, the Institute incurred expenses of \$253,371 (2019 - \$137,744) for disciplinary tribunal activities.

In 2010, the Institute created an internally restricted net asset for research purposes. A net internal restriction of \$422,000 (2019 - \$395,000) from the unrestricted net assets was authorized by the Board of Directors during the year.

During the year, the Institute incurred expenses of \$352,324 (2019 - \$493,831) for research activities.

9. Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Institute's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Institute is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time. The Institute has planned for a potential minor reduction to its membership and has revised its upcoming 2020-21 budget accordingly. The upcoming budget will be monitored closely as more information becomes available.

Subsequent to year end, the Institute has had to renegotiate agreements for seminars and meetings that are planned to be held over the next two years due to the COVID-19 outbreak. The cancellation fee portion of the originally signed agreements are actively being renegotiated and are likely to be subject to change, see note 7.

Canadian Institute of Actuaries Notes to Financial Statements

March 31, 2020

10. Financial Instruments

Credit risk

The Institute is exposed to credit risk for its accounts receivable. The Institute provides credit to its members in the normal course of its operations. The Institute is also exposed to credit risk arising from all its bank accounts being held at one financial institution.

Interest rate risk

The Institute is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest instruments subject the Institute to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. The Institute is exposed to this risk for its investments.

Other price risk

The Institute is exposed to other price risk through its investments in equity funds.

The Institute's financial instrument risk has changed compared to the previous fiscal year. The Institute is no longer exposed to liquidity risk since its cash position is greater than its accounts payable and accrued liabilities. The Institute has renewed its investment portfolio to hold investments in equity funds over quoted index units.

Canadian Institute of Actuaries Notes to Financial Statements

March 31, 2020

11. Services Provided to Other Organizations

In the previous fiscal year, a services agreement was held with the International Actuarial Association (IAA) to provide support services to the IAA in order to help with day-to-day management of its operations. This agreement covered access to information technology resources and the inclusion of the IAA staff in its group insurance program. Services were provided on a cost recovery basis. As at March 31, 2020, the Institute no longer holds a services agreement with the IAA. The Institute's expenses are shown net of the following recovered amounts:

	2020	2019
Support services	\$ -	\$ 891
Due from the IAA	\$ -	2,219

A services agreement was signed with the Actuarial Foundation of Canada (AFC) to allow the AFC to retain certain administrative and other services at no charge to the AFC. The agreement covers bookkeeping and accounting services; space for storage of administrative documents; translation services; maintaining the AFC website; maintaining a database of AFC donors; telephone, Internet and facsimile facilities. These contributions in kind are reflected in the financial statements and include the following:

	2020	2019
Audit fees	\$ 5,085	\$ 4,847
Administrative support	16,386	7,864
Other	2,411	953
	\$ 23,882	\$ 13,664

Canadian Institute of Actuaries
Schedules

For the year ended March 31 2020 2019

Schedule 1 - Professional Fees

Website and internet services	\$	250,649	\$	182,377
Consulting actuaries and other		171,851		168,304
Legal - general and peer review		157,662		109,240
Audit		21,262		21,770
Public relations		3,511		-
Legal cost (recovery)		(55,800)		-
		<hr/>		<hr/>
	\$	549,135	\$	481,691

Schedule 2 - Travel Reimbursements, Meeting Expenses and Volunteer Awards

Travel reimbursements	\$	331,929	\$	284,217
Board, councils and committees		158,184		135,364
Volunteer awards and certificates of fellowship		6,591		20,977
		<hr/>		<hr/>
	\$	496,704	\$	440,558

Schedule 3 - Supplies and Services

Amortization of tangible and intangible capital assets	\$	107,374	\$	79,008
Computer equipment and maintenance		69,423		147,507
Telephone		19,525		18,868
Stationary and supplies		13,604		12,584
Postage and delivery services		9,122		6,768
Office equipment - maintenance		8,618		13,144
		<hr/>		<hr/>
	\$	227,666	\$	277,879
