

**THE CHARTERED PROFESSIONAL ACCOUNTANTS
OF BERMUDA**

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2016

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016**

CONTENTS

	Page(s)
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of operations	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7 - 12



BAKER TILLY INSLEY

HP House
21 Laffan Street
Hamilton, HM 09
Bermuda

T: 1 441 295-0221
F: 1 441 292-1244

info@bakertillyinsley.com
www.bakertillyinsley.com

INDEPENDENT AUDITORS' REPORT

To the Members of The Chartered Professional Accountants of Bermuda

We have audited the accompanying financial statements of The Chartered Professional Accountants of Bermuda ("CPA Bermuda"), which comprise the statement of financial position as at March 31, 2016, and the related 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.

This report is made solely to CPA Bermuda's members, as a body. Our audit work has been undertaken so that we might state to CPA Bermuda's members, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than CPA Bermuda and CPA Bermuda's members, as a body, for our audit work, for this report, or for the opinion we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Chartered Professional Accountants of Bermuda as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Other matter

The financial statements of The Chartered Professional Accountants of Bermuda for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on June 18, 2015.

Baker Tilly Insley
Chartered Professional Accountants
Hamilton, Bermuda
July 25, 2016

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 280,368	\$ 194,432
Fixed deposits (Note 3)	149,706	148,662
Accounts receivable	65,140	43,693
Interest receivable	507	502
Prepaid expenses	<u>6,881</u>	<u>9,646</u>
Total current assets	<u>502,602</u>	<u>396,935</u>
NON-CURRENT ASSETS		
Property and equipment (Note 4)	14,378	18,218
Long-term receivable (Note 12)	<u>21,342</u>	<u>21,342</u>
Total non-current assets	<u>35,720</u>	<u>39,560</u>
	<u>\$ 538,322</u>	<u>\$ 436,495</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 89,384	\$ 70,875
Deferred revenues	<u>532</u>	<u>2,600</u>
Total current liabilities	<u>89,916</u>	<u>73,475</u>
NET ASSETS		
Unrestricted net assets	448,406	361,321
Restricted net assets (Notes 2h and 10)	<u>-</u>	<u>1,699</u>
Total net assets	<u>448,406</u>	<u>363,020</u>
	<u>\$ 538,322</u>	<u>\$ 436,495</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Executive Committee:

Chairman

Treasurer

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
OPERATING REVENUES		
Membership fees (Note 6)	\$ 612,307	\$ 641,264
Less: CPA Canada Fees	<u>(173,589)</u>	<u>(263,910)</u>
	438,718	377,354
Net membership fees		
Admission fees	35,338	11,385
Donated services (Note 8)	14,000	14,000
Foreign exchange gain	83,263	26,960
Interest	<u>1,049</u>	<u>776</u>
	<u>572,368</u>	<u>430,475</u>
OPERATING EXPENSES		
Salaries and benefits (Notes 2b and 7)	329,560	302,509
Rent and office maintenance (Note 9)	66,539	58,499
Conferences and committees	29,343	25,049
Amortization	5,682	14,995
Audit fees (Note 8)	14,000	14,000
Communication	11,983	11,418
Insurance	11,572	11,685
Information technology consulting	63	-
Advertising	2,275	2,141
Legal fees	2,661	2,957
Executive council expense	5,655	5,120
Disciplinary expense (Notes 2h and 10)	14,365	2,800
Printing and stationery	4,142	6,604
Miscellaneous	<u>8,425</u>	<u>11,644</u>
	<u>506,265</u>	<u>469,421</u>
Excess of operating revenues over operating expenses	<u>66,103</u>	<u>(38,946)</u>
PROGRAM REVENUES (EXPENSES), NET (Note 2b and 7)		
Professional development	47,554	33,084
Student affairs	778	6,740
Public awareness	<u>(29,049)</u>	<u>(28,344)</u>
Net program revenues	<u>19,283</u>	<u>11,480</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 85,386</u>	<u>\$ (27,466)</u>

The accompanying notes form an integral part of these financial statements.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
Unrestricted net assets, beginning of year	\$ 361,321	\$ 385,987
Excess of revenues over expenses	85,386	(27,466)
Transfer from restricted net assets (Notes 2h and 10)	<u>1,699</u>	<u>2,800</u>
Unrestricted net assets, end of year	<u>\$ 448,406</u>	<u>\$ 361,321</u>
Restricted net assets, beginning of year (Note 2h)	\$ 1,699	\$ 4,499
Transfer to unrestricted net assets (Notes 2h and 10)	<u>(1,699)</u>	<u>(2,800)</u>
Restricted net assets, end of year (Note 2h)	<u>\$ -</u>	<u>\$ 1,699</u>

The accompanying notes form an integral part of these financial statements.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 85,386	\$ (27,466)
Adjustments for non-cash items and changes in working capital:		
Amortization	5,682	14,995
Increase in accounts receivable	(21,447)	(2,465)
(Increase) Decrease in interest receivable	(5)	113
Decrease (Increase) in prepaid expenses	2,765	(4,140)
Increase (decrease) in accounts payable and accrued liabilities	18,509	(25,328)
Decrease in deferred revenues	<u>(2,068)</u>	<u>(2,150)</u>
Net cash used in operating activities	<u>88,822</u>	<u>(46,441)</u>
INVESTING ACTIVITIES		
(Reduction in) Additions to fixed deposits	(1,044)	69,523
Acquisition of property and equipment	(1,842)	(3,236)
Increase in long-term receivable	<u>-</u>	<u>(21,342)</u>
Net cash used in investing activities	<u>(2,886)</u>	<u>44,945</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,936	(1,496)
CASH AND CASH EQUIVALENTS, beginning of year	<u>194,432</u>	<u>195,928</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 280,368</u>	<u>\$ 194,432</u>

The accompanying notes form an integral part of these financial statements.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

1. DESCRIPTION OF BUSINESS

The Chartered Professional Accountants (CPA Bermuda) (formerly the Institute of Chartered Accountants of Bermuda) was established under the authority of the Institute of Chartered Accountants of Bermuda Act 1973. CPA Bermuda is affiliated with the Chartered Professional Accountants of Canada (CPA Canada). Its principal objectives are to promote and increase the knowledge, skill and proficiency of its members and students, to regulate the discipline and professional conduct of its members and students, to promote the best standards of practice in financial reporting and in the expression of professional opinions in relation thereto, and to promote the welfare and interests of CPA Bermuda and accounting profession.

CPA Canada was established under the Canada Not-for-profit Corporations Act, effective January 1, 2013. As Canada's newest national accounting body, CPA Canada supports provincial accounting bodies that have unified, and all those that will unify, under the banner of Chartered Professional Accountant. To date all national and provincial CA, CMA and CGA bodies in Canada and Bermuda have formally announced their support of unification and are working on or have integrated operations.

In Bermuda, the Governor gave his assent to the Institute of Chartered Accountants of Bermuda Amendment Act 2014 on March 26, 2014, and this became effective on April 11, 2014. This marked the conclusion of the unification process in Bermuda and the transition of the Institute into Chartered Professional Accountants of Bermuda (CPA Bermuda). The legislation outlines the standards that define CPA Bermuda and provides the basis that allowed CPA Bermuda to join the unified CPA Canada body as a full member, becoming just the third jurisdiction to do so. CPA Bermuda is now in a position to accept applications for membership from holders of each of the CA, CMA and CGA Canadian designations in addition to our existing pathways to membership from our mutual recognition agreements with other overseas accounting bodies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not – for-profit organisations, which have general application in Bermuda. CPA Bermuda's significant accounting policies are as follows:

(a) Revenue recognition

Membership fees are recognized as revenue in the fiscal year to which they relate. Program revenues and expenses are recognized as revenues and expenses when the events are held. The portion that relates to future periods is recognized in the balance sheets as deferred revenues.

Investment income is recognized as revenue when earned.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Professional development expenses

Salaries and benefits and office expenses related to professional development management are allocated to programme expenses. The ratio used on the allocation is based on management's best estimate of the time spent by the staff on professional development management in relation to general administrative work. Professional development revenue in the statement of operations is presented net of these expenses.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. The carrying value of these investments approximates their fair value because of their short maturity.

(d) Property and equipment

Property and equipment are recorded at cost, net of accumulated amortization which is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	10 years
Computer equipment	3 years
Leasehold improvements	3 years

(e) Donated services

The work of CPA Bermuda is dependent on the voluntary services of many members. Since these services are not normally purchased by CPA Bermuda, and because of the difficulty in determining their fair values, donated services by the members, except for audit fees, are not recognized in these financial statements.

(f) Foreign exchange

Expenses invoiced in foreign currencies are translated into Bermuda dollars at the rates of exchange in effect on the date of the transaction. Gains and losses on translation are taken to the statement of operations.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statement of operations on a straight-line basis over the term of the lease.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Restricted net assets

In 2010, CPA Bermuda established a reserve for disciplinary expenses by levying \$100 per member participating in public accounting. These contributions are recorded as revenue on the date of receipt and are accumulated as restricted net assets on the statement of financial position. Restricted net assets will be reduced in the year in which the related expenses are incurred.

(i) Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in Bermuda and Canada requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amount of income and expenses incurred for the reporting period of the statements of operations. Actual results could differ from those estimates.

3. FIXED DEPOSITS

The following interest bearing fixed deposits which represent 28% (2015 - 34%) of CPA Bermuda's assets are with Clarien Bank Limited:

	2016	2015
Fixed deposit maturing on October 7, 2016	\$ <u>149,706</u>	\$ <u>148,662</u>

The interest rate of the fixed deposit maturing on October 7, 2016, is 0.70% (2015 – 0.70%).

4. PROPERTY AND EQUIPMENT, NET

This account consists of:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	\$ 47,829	\$ (37,015)	\$ 10,814	\$ 15,840
Leasehold improvements	35,745	(35,745)	-	-
Computer equipment	26,467	(22,903)	3,564	2,378
	<u>\$ 110,041</u>	<u>\$ (95,663)</u>	<u>\$ 14,378</u>	<u>\$ 18,218</u>

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This account consists of:

	2016	2015
Accrued liabilities	\$ 53,865	\$ 38,982
Due to CPA Canada	26,033	23,609
Payroll tax	9,486	8,284
Accounts payable	<u> -</u>	<u> -</u>
	<u>\$ 89,384</u>	<u>\$ 70,875</u>

Accrued liabilities represent expenses incurred in the normal course of the operations of CPA Bermuda.

CPA Bermuda was tasked to collect fees from the member firms for their share in the operational cost of the Board established by CPA Bermuda and Barristers in ensuring compliance with the Anti-Money Laundering and Anti-Terrorist Financing Act. Accounts payable and accrued liabilities is presented net of the amounts billed to the member firms.

6. MEMBERSHIP FEES

This account consists of:

	2016	2015
Annual CPA Bermuda membership fees	\$ 563,299	\$ 603,093
CPA Bermuda non-practitioner members	38,100	30,356
CPA Bermuda corporate and CPD fees	7,300	6,000
Annual CPA Bermuda student membership	<u>3,608</u>	<u>1,815</u>
	<u>\$ 612,307</u>	<u>\$ 641,264</u>

The membership period runs from April 1 to March 31 of each year.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

7. PROGRAM REVENUES (EXPENSES), NET

CPA Bermuda generates revenues and incurs expenses for various programs and services. The gross revenues and expenses relating to these programs and services are as follows:

	Revenue	Expenses	2016 Net	2015 Net
Professional development	\$ 351,959	\$ (304,405)	\$ 47,554	\$ 33,084
Student affairs	3,300	(2,522)	778	6,740
Public awareness	33,945	(62,994)	(29,049)	(28,344)
	<u>\$ 389,204</u>	<u>\$ (369,921)</u>	<u>\$ 19,283</u>	<u>\$ 11,480</u>

Expenses and net program revenues include the allocation of salaries and office expenses relating to professional development management in the amount of \$119,537 (2015 - \$112,526).

8. DONATED SERVICES

Audit fees are recorded at their fair value of \$14,000 (2015 - \$14,000) and are included in operating revenues and expenses at the recorded value for service rendered.

9. COMMITMENT

In 2015, CPA Bermuda entered into a lease for the office space it occupies at a monthly rent of \$4,994 (2015- \$4,994). The lease is for a term of three years from March 1, 2015 to February 28, 2018.

10. NET ASSETS

During 2010 CPA Bermuda collected \$26,400 from members in public practice to establish a fund which is restricted to meet future disciplinary expenses. As at April 1, 2015 the balance remaining in the fund was \$1,699. During the year, \$13,111 (2015 - \$2,800) was spent in disciplinary expenses and as such, the fund balance was brought to zero and the remaining amount of \$11,412 was expensed in the statement of operations.

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

CPA Bermuda's financial instruments consist of cash and cash equivalents, fixed deposits, accounts receivable, interest receivable and accounts payable and accrued liabilities.

Fair value

The carrying values of cash and cash equivalents, fixed deposits, accounts receivable, interest receivable and accounts payable and accrued liabilities approximate their fair values due to their short- term nature.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016
(Expressed in Bermuda Dollars)

Credit and interest rate risk

Financial assets which potentially subject the Institute to concentrations of credit risk consist principally of cash and cash equivalents, fixed deposits and accounts receivable. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents and fixed deposits are placed with high credit quality financial institutions and accounts receivable are presented net of provisions for uncollectible amounts. Changes in interest rate will result in changes in amount of interest earned on fixed deposits.

Foreign exchange risk

Foreign exchange risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of financial instruments denominated in currencies other than Bermuda dollars. Changes in foreign currency exchange rates will result in gains or losses which are recorded in the statements of operations.

The foreign exchange gain for the year ended March 31, 2016, arose from the movement in the Canadian dollar exchange rate from April 1, 2015, the date at which liabilities for CICA fees were recorded, and the actual rates of exchange in effect when each payment was made to settle the liability.

Capital management

CPA Bermuda manages its operations to maintain adequate capital to enable it to fulfill its mission and vision objectives which foster public confidence in the CA profession by acting in the public interest and helping our members excel.

12. LONG-TERM RECEIVABLE

A new body, the Chartered Professional Accountants Atlantic School of Business (CPA Atlantic) was formed in December 2013 to administer the new Chartered Professional Accountants program for students. This body replaces the Atlantic School of Chartered Accountants (ASCA). The June 2015 UFE, the last, was administered by the new organization. The accumulated surplus was transferred into the new body from ASCA.

CPA Atlantic have determined that start up costs for the organization will be a maximum of \$550,000 and have requested a non-interest bearing loan from the Atlantic bodies. Fifty percent of the funds were paid in June 2014, and the CPA Bermuda amount, based on prime membership, totals CDN \$22,172. To date no additional funds have been required.

13. COMPARATIVES

Certain accounts in the prior year financial statements have been reclassified to conform with the current year financial statement presentation.

14. SUBSEQUENT EVENTS

CPA Bermuda evaluated events and transactions occurring after March 31, 2015, through to July 25, 2016, for potential recognition or disclosure in the notes to the financial statements. Management believes that there are no post year-end events that need to be reflected in the financial statements or disclosed in the notes to the financial statements.