

**THE CHARTERED PROFESSIONAL ACCOUNTANTS  
OF BERMUDA**

**AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**MARCH 31, 2020**

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA  
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of The Chartered Professional Accountants of Bermuda

#### Opinion

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, 2020, 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.

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, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian and Bermudian accounting standards for not-for-profit organizations.

#### Basis for Opinion

We conducted our audit in accordance with Canadian and Bermudian 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 CPA Bermuda in accordance with the ethical requirements of the Chartered Professional Accountants of Bermuda that are relevant to our audit of the financial statements, 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.

#### 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.

In preparing the financial statements, management is responsible for assessing CPA Bermuda'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 CPA Bermuda or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibility 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 and Bermudian 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 and Bermudian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 CPA Bermuda'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 CPA Bermuda'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 CPA Bermuda 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 achieved fair presentation.

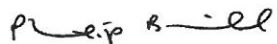
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly*  
Hamilton, Bermuda  
July 20, 2020

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 534,933	\$ 502,967
Fixed deposits (Note 3)	156,065	152,892
Accounts receivable – net (Note 4)	97,997	238,809
Interest receivable	1,554	1,554
Prepaid expenses	<u>20,977</u>	<u>38,717</u>
Total current assets	<u>811,526</u>	<u>934,939</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment (Note 5)	<u>37,909</u>	<u>49,074</u>
Total non-current assets	<u>37,909</u>	<u>49,074</u>
	<u>\$ 849,435</u>	<u>\$ 984,013</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 69,727	\$ 38,097
Deferred revenues	<u>3,978</u>	<u>185</u>
Total current liabilities	<u>73,705</u>	<u>38,282</u>
<b>NET ASSETS</b>		
Unrestricted net assets	700,730	870,731
Restricted net assets (Note 7)	<u>75,000</u>	<u>75,000</u>
Total net assets	<u>775,730</u>	<u>945,731</u>
	<u>\$ 849,435</u>	<u>\$ 984,013</u>

**Approved by the Executive Committee:**

  
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Chairman

  
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Treasurer

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

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

	2020	2019
<b>OPERATING REVENUES</b>		
Membership fees (Note 8)	\$ 836,999	\$ 918,274
Less: CPA Canada Fees	<u>(243,951)</u>	<u>(232,544)</u>
Net membership fees	593,048	685,730
Admission fees	29,050	43,450
Donated services (Note 10)	14,000	14,000
Interest	<u>3,173</u>	<u>2,123</u>
	<u>639,271</u>	<u>745,303</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits (Notes 2(b) and 9)	349,563	312,143
Rent and office maintenance (Note 11)	84,828	69,422
Conferences and committees	25,299	34,056
Amortization	12,654	13,371
Bad debt expense	161,963	14,253
Audit fees (Note 10)	14,000	14,000
Communication	19,579	13,422
Insurance	11,919	11,250
Consulting	19,550	23,597
Advertising	7,515	7,827
Legal fees	-	12,231
Executive council expense	12,731	4,397
Disciplinary expense	13,078	353
Printing and stationery	9,555	1,464
Foreign exchange	137	1,632
Miscellaneous	<u>9,965</u>	<u>7,515</u>
	<u>752,336</u>	<u>540,933</u>
Excess of operating revenues over operating expenses	<u>(113,065)</u>	<u>204,370</u>
<b>PROGRAM (EXPENSES) REVENUES, NET (Note 2(b) and 9)</b>		
Professional development	(24,761)	(8,850)
Student affairs	(3,699)	(12,554)
Public awareness	<u>(28,476)</u>	<u>(20,331)</u>
Net program expenses	<u>(56,936)</u>	<u>(41,735)</u>
<b>EXCESS OF (EXPENSE) REVENUES OVER REVENUES (EXPENSES)</b>	<u>\$ (170,001)</u>	<u>\$ 162,635</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, 2020**  
*(Expressed in Bermuda Dollars)*

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	2020	2019
Unrestricted net assets, beginning of year	\$ 870,731	\$ 708,096
Excess of (expenses) revenues over revenues (expenses)	<u>(170,001)</u>	<u>162,635</u>
Unrestricted net assets, end of year	<u>\$ 700,730</u>	<u>\$ 870,731</u>
Restricted net assets (Note 7)	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Total net assets	<u>\$ 775,730</u>	<u>\$ 945,731</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, 2020**  
*(Expressed in Bermuda Dollars)*

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Excess of (expenses) revenues over revenues (expenses)	\$ (170,001)	\$ 162,635
Adjustments for non-cash items and changes in working capital:		
Amortization	12,654	13,371
Decrease (increase) in accounts receivable	140,812	(79,448)
Decrease (increase) in interest receivable	-	(1,047)
Decrease (increase) in prepaid expenses	17,740	(27,673)
Increase (decrease) in accounts payable and accrued liabilities	31,630	(25,577)
Increase (decrease) in deferred revenues	<u>3,793</u>	<u>(15)</u>
Net cash generated by operating activities	<u>36,628</u>	<u>42,246</u>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed deposits	(3,173)	(1,076)
Acquisition of property and equipment	<u>(1,489)</u>	<u>(8,995)</u>
Net cash used in investing activities	<u>(4,662)</u>	<u>(10,071)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	31,966	32,175
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>502,967</u>	<u>470,792</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>534,933</u></u>	\$ <u><u>502,967</u></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, 2020**  
*(Expressed in Bermuda Dollars)*

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**1. DESCRIPTION OF BUSINESS**

The Chartered Professional Accountants of Bermuda (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 the 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 under the banner of Chartered Professional Accountant. All national and provincial CA, CMA and CGA bodies in Canada and Bermuda have formally unified and 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 of Chartered Accounts of Bermuda 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 organizations, which have general application in Bermuda.

The board of directors, having made inquiries, including consideration of the possible future financial effects associated with the coronavirus COVID-19 pandemic, believe that CPA Bermuda has adequate resources to continue in operational existence for at least the next 12 months and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

CPA Bermuda's significant accounting policies are as follows:

**(a) Revenue recognition**

Membership and admission 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 statement of financial position as deferred revenue.

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, 2020**  
*(Expressed in Bermuda Dollars)*

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**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 an insignificant risk of change 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
Leasehold improvements	5 years
Computer equipment	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, 2020**  
*(Expressed in Bermuda Dollars)*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Disciplinary reserve**

At the discretion of the Board of Directors, CPA Bermuda may internally restrict funds from time to time and establish reserve funds for specified purposes.

**(i) Financial instruments**

Estimated fair value of financial instruments held by CPA Bermuda approximates carrying value.

**(j) 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 statement of operations. Actual results could differ from those estimates.

**3. FIXED DEPOSITS**

The following interest bearing fixed deposits which represent 19% (2019 - 16%) of CPA Bermuda's assets are with Clarien Bank Limited:

	2020	2019
Fixed deposit maturing on October 9, 2020	\$ <u>156,065</u>	\$ <u>152,892</u>

The interest rate of the fixed deposit maturing on October 9, 2020, is 1.75% (2019 – 2.100% ).

**4. ACCOUNTS RECEIVABLE**

Accounts receivable in the amount of \$97,997 (2019: \$238,809) is net of provision for bad debt of \$139,964 (2019: \$14,253).

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

**5. PROPERTY AND EQUIPMENT, NET**

This account consists of:

			<b>2020</b>	<b>2019</b>
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 48,829	\$ (45,128)	\$ 3,701	\$ 5,295
Leasehold improvements	54,263	(20,076)	34,187	43,042
Computer equipment	30,176	(30,155)	21	737
	<u>\$ 133,268</u>	<u>\$ (95,359)</u>	<u>\$ 37,909</u>	<u>\$ 49,074</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

This account consists of:

	<b>2020</b>	<b>2019</b>
Accrued liabilities	\$ 25,001	\$ 28,572
Due to CPA Canada	31,675	1,960
Payroll tax	<u>13,051</u>	<u>7,565</u>
	<u>\$ 69,727</u>	<u>\$ 38,097</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.

**7. DISCIPLINARY RESERVE**

The Board has restricted \$75,000 from net assets to be used for litigation fees resulting from any future disciplinary actions. Disciplinary expenses for 2019-20 have been funded by current operations and the \$75,000 continues to be restricted for future use.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

**8. MEMBERSHIP FEES**

This account consists of:

	2020	2019
Annual CPA Bermuda membership fees	\$ 830,888	\$ 869,922
CPA Bermuda non-practitioner members	-	41,064
CPA Bermuda corporate fees	6,000	5,000
Annual US CPA Bermuda student membership	<u>854</u>	<u>2,288</u>
	<u>\$ 837,742</u>	<u>\$ 918,274</u>

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

**9. 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	2020 Net	2019 Net
Professional development	\$ 233,083	\$ (257,844)	\$ (24,761)	\$ (8,850)
Student affairs	-	(3,699)	(3,699)	(12,554)
Public awareness	-	(28,476)	(28,476)	(20,331)
	<u>\$ 233,083</u>	<u>\$ (290,019)</u>	<u>\$ (56,936)</u>	<u>\$ (41,735)</u>

Expenses and net program revenues include the allocation of salaries and office expenses relating to professional development management in the amount of \$140,068 (2019 - \$81,117).

**10. DONATED SERVICES**

Audit fees are recorded at their fair value of \$14,000 (2019 - \$14,000) and are included in operating revenues and expenses at the recorded value for service rendered.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

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**11. COMMITMENT**

On March 1, 2018, CPA Bermuda entered into a five year lease for new office space initially at a nominal rent of \$1 through June 30, 2018 while improvements were being made to the premises and thereafter at a rate of \$5,000 per month. The lease, which expires on February 28, 2023, provides for a rent review on February 28, 2021. Future minimum lease payments over the remaining 3 years are \$60,000 per annum, \$180,000 aggregate.

Rent expense for 2020 was \$60,000 (2019: \$45,000).

**12. 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.

**Credit and interest rate risk**

Financial assets which potentially subject CPA Bermuda 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 the 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 statement of operations.

**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 accounting profession by acting in the public interest and helping our members excel.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**  
*(Expressed in Bermuda Dollars)*

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**13. SUBSEQUENT EVENTS**

On 11 March 2020, the World Health Organization declared the coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. While the situation continues to evolve, certain of the measures adopted or proposed by the government in the jurisdiction in which the Company operates may have possible adverse financial impacts on future results. There is a degree of uncertainty in terms of the imposition of certain measures, the duration of such measures, if implemented, and the impact this would have on CPA Bermuda. CPA Bermuda is continuing to monitor the situation and potential impacts. As discussed in note 2, the board of directors, having considered the possible future financial effects associated with the coronavirus, believe that the CPA Bermuda has adequate resources to continue in operational existence for at least the next 12 months and has continued to prepare the financial statements on the going concern basis.

CPA Bermuda evaluated events and transactions occurring after March 31, 2020, through to July 20, 2020, for potential recognition or disclosure in the notes to the financial statements.

Management believes that, except for the matter discussed above, 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.

