

**THE CHARTERED PROFESSIONAL ACCOUNTANTS  
OF BERMUDA**

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

**MARCH 31, 2019**

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA  
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

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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, 2019, 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, 2019, 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.

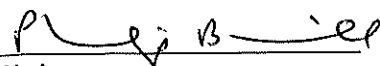
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


*Baker Tilly*  
Hamilton, Bermuda  
July 22, 2019

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**  
*(Expressed in Bermuda Dollars)*

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 502,967	\$ 470,792
Fixed deposits (Note 3)	152,892	151,816
Accounts receivable – net (Note 4)	238,809	159,361
Interest receivable	1,554	507
Prepaid expenses	<u>38,717</u>	<u>11,044</u>
Total current assets	<u>934,939</u>	<u>793,520</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment (Note 5)	<u>49,074</u>	<u>53,450</u>
Total non-current assets	<u>49,074</u>	<u>53,450</u>
	<u>\$ 984,013</u>	<u>\$ 846,970</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 38,097	\$ 63,674
Deferred revenues	<u>185</u>	<u>200</u>
Total current liabilities	<u>38,282</u>	<u>63,874</u>
<b>NET ASSETS</b>		
Unrestricted net assets	870,731	708,096
Restricted net assets	<u>75,000</u>	<u>75,000</u>
Total net assets	<u>945,731</u>	<u>783,096</u>
	<u>\$ 984,013</u>	<u>\$ 846,970</u>

Approved by the Executive Committee:

  
 Chairman

  
 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, 2019**  
*(Expressed in Bermuda Dollars)*

	2019	2018
<b>OPERATING REVENUES</b>		
Membership fees (Note 8)	\$ 918,274	\$ 918,443
Less: CPA Canada Fees	<u>(232,544)</u>	<u>(263,860)</u>
Net membership fees	685,730	654,583
Admission fees	43,450	49,600
Donated services (Note 10)	14,000	14,000
Income from disciplinary proceedings (Note 12)	-	25,000
Interest	<u>2,123</u>	<u>1,059</u>
	<u>745,303</u>	<u>744,242</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits (Notes 2(b) and 9)	312,143	303,468
Rent and office maintenance (Note 11)	69,422	86,893
Conferences and committees	34,056	13,635
Amortization	13,371	4,396
Bad debt expense	14,253	-
Audit fees (Note 10)	14,000	14,000
Communication	13,422	10,347
Insurance	11,250	10,956
Consulting	23,597	32,189
Advertising	7,827	5,003
Legal fees	12,231	7,035
Executive council expense	4,397	6,610
Disciplinary expense	353	(6,067)
Printing and stationery	1,464	12,335
Foreign exchange	1,632	3,376
Miscellaneous	<u>7,515</u>	<u>10,526</u>
	<u>540,933</u>	<u>514,702</u>
Excess of operating revenues over operating expenses	<u>204,370</u>	<u>229,540</u>
<b>PROGRAM (EXPENSES) REVENUES, NET (Note 2(b) and 9)</b>		
Professional development	(8,850)	101,534
Student affairs	(12,554)	(3,649)
Public awareness	<u>(20,331)</u>	<u>(20,670)</u>
Net program (expenses) revenues	<u>(41,735)</u>	<u>77,215</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 162,635</u>	<u>\$ 306,755</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, 2019**  
*(Expressed in Bermuda Dollars)*

	2019	2018
Unrestricted net assets, beginning of year	\$ 708,096	\$ 476,341
Excess of revenues over expenses	162,635	306,755
Transfer to restricted net assets (Notes 2(h) and 12)	<u>-</u>	<u>(75,000)</u>
Unrestricted net assets, end of year	<u>\$ 870,731</u>	<u>\$ 708,096</u>
Restricted net assets, beginning of year (Note 2(h))	\$ 75,000	\$ -
Transfer from unrestricted net assets (Notes 2(h) and 12)	<u>-</u>	<u>75,000</u>
Restricted net assets, end of year (Note 2(h))	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Total net assets	<u>\$ 945,731</u>	<u>\$ 783,096</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, 2019**  
*(Expressed in Bermuda Dollars)*

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 162,635	\$ 306,755
Adjustments for non-cash items and changes in working capital:		
Amortization	13,371	4,396
Increase in accounts receivable	(79,448)	(77,353)
Increase in interest receivable	(1,047)	(4)
Increase in prepaid expenses	(27,673)	(670)
(Decrease) increase in accounts payable and accrued liabilities	(25,577)	12,772
Decrease in deferred revenues	<u>(15)</u>	<u>-</u>
Net cash generated by operating activities	<u>42,246</u>	<u>245,896</u>
<b>INVESTING ACTIVITIES</b>		
Additions to fixed deposits	(1,076)	(1,055)
Acquisition of property and equipment	(8,995)	(45,033)
Repayment of long term receivable	<u>-</u>	<u>21,342</u>
Net cash used in investing activities	<u>(10,071)</u>	<u>(24,746)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,175</b>	<b>221,150</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b><u>470,792</u></b>	<b><u>249,642</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 502,967</u></b>	<b><u>\$ 470,792</u></b>

*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, 2019**  
*(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. 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.

**(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.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
*(Expressed in Bermuda Dollars)*

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

**(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.

**(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.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**  
*(Expressed in Bermuda Dollars)*

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

**(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 16% (2018 - 18%) of CPA Bermuda's assets are with Clarien Bank Limited:

	2019	2018
Fixed deposit maturing on October 9, 2019	\$ 152,892	\$ 151,816

The interest rate of the fixed deposit maturing on October 9, 2019, is 2.10% (2018 – 0.70%).

**4. ACCOUNTS RECEIVABLE**

Accounts receivable in the amount of \$238,809 (2018: \$159,361) is net of provision for bad debt of \$14,253 (2018: \$Nil).

**5. PROPERTY AND EQUIPMENT, NET**

This account consists of:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and fixtures	\$ 48,829	\$ (43,534)	\$ 5,295	\$ 6,836
Leasehold improvements	52,774	(9,732)	43,042	43,780
Computer equipment	30,176	(29,439)	737	2,834
	<u>\$ 131,779</u>	<u>\$ (82,705)</u>	<u>\$ 49,074</u>	<u>\$ 53,450</u>

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*(Expressed in Bermuda Dollars)*

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

This account consists of:

	2019	2018
Accrued liabilities	\$ 28,572	\$ 51,723
Due to CPA Canada	1,960	4,560
Payroll tax	<u>7,565</u>	<u>7,391</u>
	<u>\$ 38,097</u>	<u>\$ 63,674</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**

CPA Bermuda has established a reserve in the amount of \$75,000 (2018: \$75,000) in support of costs that may be incurred in relation to any future disciplinary proceedings.

**8. MEMBERSHIP FEES**

This account consists of:

	2019	2018
Annual CPA Bermuda membership fees	\$ 869,922	\$ 865,253
CPA Bermuda non-practitioner members	41,064	41,860
CPA Bermuda corporate fees	5,000	7,000
CPD Fees	-	1,250
Annual US CPA Bermuda student membership	<u>2,288</u>	<u>3,080</u>
	<u>\$ 918,274</u>	<u>\$ 918,443</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, 2019**  
*(Expressed in Bermuda Dollars)*

**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	2019 Net	2018 Net
Professional development	\$ 255,315	\$ (264,165)	\$ (8,850)	\$ 101,534
Student affairs	-	(12,554)	(12,554)	(3,649)
Public awareness	25,725	(46,056)	(20,331)	(20,670)
	<u>\$ 281,040</u>	<u>\$ (322,775)</u>	<u>\$ (41,735)</u>	<u>\$ 77,215</u>

Expenses and net program revenues include the allocation of salaries and office expenses relating to professional development management in the amount of \$81,117 (2018 - \$95,726).

**10. DONATED SERVICES**

Audit fees are recorded at their fair value of \$14,000 (2018 - \$14,000) and are included in operating revenues and expenses at the recorded value for service rendered.

**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 4 years are \$60,000 per annum, \$240,000 aggregate.

Rent expense for 2019 was \$45,000 (2018: \$59,925).

**12. DISCIPLINARY RESERVE**

In 2018, a sanction was levied against a member in a disciplinary trial. A portion of this sanction was allocated to the disciplinary reserve account in 2018.

**13. 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.

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
*(Expressed in Bermuda Dollars)*

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**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.

**14. SUBSEQUENT EVENTS**

CPA Bermuda evaluated events and transactions occurring after March 31, 2019, through to July 22, 2019, 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.