

**THE CHARTERED PROFESSIONAL ACCOUNTANTS
OF BERMUDA**

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

MARCH 31, 2021

**THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

CONTENTS

	Page(s)
Independent auditor's 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 - 13

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, 2021, 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, 2021, 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

June 29, 2021


THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021
(Expressed in Bermuda Dollars)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 528,246	\$ 534,933
Fixed deposits (Note 3)	158,901	156,065
Accounts receivable – net (Note 4)	238,599	97,997
Interest receivable	186	1,554
Prepaid expenses	<u>16,621</u>	<u>20,977</u>
Total current assets	<u>942,553</u>	<u>811,526</u>
NON-CURRENT ASSETS		
Property and equipment (Note 5)	<u>39,378</u>	<u>37,909</u>
Total non-current assets	<u>39,378</u>	<u>37,909</u>
	<u>\$ 981,931</u>	<u>\$ 849,435</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	\$ 97,773	\$ 69,727
Deferred revenues	<u>3,978</u>	<u>3,978</u>
Total current liabilities	<u>101,751</u>	<u>73,705</u>
NET ASSETS		
Unrestricted net assets	805,180	700,730
Restricted net assets (Note 7)	<u>75,000</u>	<u>75,000</u>
Total net assets	<u>880,180</u>	<u>775,730</u>
	<u>\$ 981,931</u>	<u>\$ 849,435</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, 2021
(Expressed in Bermuda Dollars)

	2021	2020
OPERATING REVENUES		
Membership fees (Note 8)	\$ 1,020,201	\$ 836,999
Less: CPA Canada Fees	<u>(276,844)</u>	<u>(243,951)</u>
Net membership fees	743,357	593,048
Admission fees	154,399	29,050
Donated services (Note 10)	14,000	14,000
Interest	<u>1,468</u>	<u>3,173</u>
	<u>913,224</u>	<u>639,271</u>
OPERATING EXPENSES		
Salaries and benefits (Notes 2(b) and 9)	386,691	349,563
Rent and office maintenance (Note 11)	78,633	84,828
Conferences and committees	25,475	25,299
Amortization	15,395	12,654
Bad debt expense	85,784	161,963
Audit fees (Note 10)	14,000	14,000
Communication	27,606	19,579
Insurance	13,879	11,919
Consulting	19,817	19,550
Advertising	7,162	7,515
Executive council expense	-	12,731
Disciplinary expense	4,020	13,078
Printing and stationery	2,570	9,555
Foreign exchange	-	137
Miscellaneous	<u>12,081</u>	<u>9,965</u>
	<u>693,113</u>	<u>752,336</u>
Excess of operating revenues over operating expenses	<u>220,111</u>	<u>(113,065)</u>
PROGRAM (EXPENSES) REVENUES, NET (Note 2(b) and 9)		
Professional development	(89,172)	(24,761)
Student affairs	(23)	(3,699)
Public awareness	<u>(26,466)</u>	<u>(28,476)</u>
Net program expenses	<u>(115,661)</u>	<u>(56,936)</u>
EXCESS OF REVENUE (EXPENSES) OVER (EXPENSE) REVENUE	<u>\$ 104,450</u>	<u>\$ (170,001)</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, 2021
(Expressed in Bermuda Dollars)

	2021	2020
Unrestricted net assets, beginning of year	\$ 700,730	\$ 870,731
Excess of revenue (expenses) over (expenses) revenue	<u>104,450</u>	<u>(170,001)</u>
Unrestricted net assets, end of year	<u>\$ 805,180</u>	<u>\$ 700,730</u>
Restricted net assets (Note 7)	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Total net assets	<u>\$ 880,180</u>	<u>\$ 775,730</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, 2021
(Expressed in Bermuda Dollars)

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue (expenses) over (expense) revenues	\$ 104,450	\$ (170,001)
Adjustments for non-cash items and changes in working capital:		
Amortization	15,395	12,654
(Increase) decrease in accounts receivable	(140,602)	140,812
Decrease in interest receivable	1,368	-
Decrease in prepaid expenses	4,356	17,740
Increase in accounts payable and accrued liabilities	28,046	31,630
Increase in deferred revenues	<u>-</u>	<u>3,793</u>
Net cash generated by operating activities	<u>13,013</u>	<u>36,628</u>
INVESTING ACTIVITIES		
Additions to fixed deposits	(2,836)	(3,173)
Acquisition of property and equipment	<u>(16,864)</u>	<u>(1,489)</u>
Net cash used in investing activities	<u>(19,700)</u>	<u>(4,662)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,687)	31,966
CASH AND CASH EQUIVALENTS, beginning of year	<u>534,933</u>	<u>502,967</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 528,246</u>	<u>\$ 534,933</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, 2021
(Expressed in Bermuda Dollars)

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.

In 2019, the CPA Bermuda Act 1973 was amended to allow resident individuals holding accounting designations who are not part of current Mutual Recognition Agreements, Reciprocal Membership Agreements and Memoranda of Understanding with CPA Canada to join the CPA Bermuda membership as Bermuda Only Members and allow them to use their designation in Bermuda. This change serves as a reinforcement of Bermuda's AML/ATF framework to ensure compliance with the relevant international standards on island by bringing all professional and public accountants under one regulatory umbrella and thus it is compulsory for all resident professional accountants to be members of CPA Bermuda.

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.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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% (2020 - 19%) of CPA Bermuda's assets are with Clarien Bank Limited:

	2021	2020
Fixed deposit maturing on November 10, 2021	\$ <u>158,901</u>	\$ <u>156,065</u>

The interest rate of the fixed deposit maturing on November 10, 2021, is 0.20% (2020 – 1.75%).

THE CHARTERED PROFESSIONAL ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021
(Expressed in Bermuda Dollars)

4. ACCOUNTS RECEIVABLE

Accounts receivable in the amount of \$238,599 (2020: \$97,997) is net of provision for bad debt of \$85,784 (2020: \$139,964).

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 receivable include amounts billed to the member firms.

5. PROPERTY AND EQUIPMENT, NET

This account consists of:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 48,829	\$ (46,721)	\$ 2,108	\$ 3,701
Leasehold improvements	61,637	(32,277)	29,360	34,187
Computer equipment	39,666	(31,756)	7,910	21
	<u>\$ 150,132</u>	<u>\$ (110,754)</u>	<u>\$ 39,378</u>	<u>\$ 37,909</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This account consists of:

	2021	2020
Accrued liabilities	\$ 30,474	\$ 25,001
Due to CPA Canada	21,956	31,675
Payroll liabilities	<u>45,343</u>	<u>13,051</u>
	<u>\$ 97,773</u>	<u>\$ 69,727</u>

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

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 2020-21 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, 2021
(Expressed in Bermuda Dollars)

8. MEMBERSHIP FEES

This account consists of:

	2021	2020
Annual CPA Bermuda membership fees	\$ 1,011,617	\$ 830,145
CPA Bermuda corporate fees	7,000	6,000
Annual US CPA Bermuda student membership	<u>1,584</u>	<u>854</u>
	<u>\$ 1,020,201</u>	<u>\$ 836,999</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	2021 Net	2020 Net
Professional development	\$ 135,894	\$ (225,066)	\$ (89,172)	\$ (24,761)
Student affairs	-	(23)	(23)	(3,699)
Public awareness	-	(26,466)	(26,466)	(28,476)
	<u>\$ 135,894</u>	<u>\$ (251,555)</u>	<u>\$ (115,661)</u>	<u>\$ (56,936)</u>

Expenses and net program revenues include the allocation of salaries and office expenses relating to professional development management in the amount of \$138,255 (2020 - \$140,068).

10. DONATED SERVICES

Audit fees are recorded at their fair value of \$14,000 (2020 - \$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, 2021
(Expressed in Bermuda Dollars)

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 expires on February 28, 2023. Future minimum lease payments over the remaining 3 years are \$60,000 per annum, \$120,000 aggregate.

Rent expense for 2021 was \$60,000 (2020: \$60,000).

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, 2021
(Expressed in Bermuda Dollars)

13. SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through June 29, 2021, the date that the board of directors authorized the financial statements for issue.