

**AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE  
VÉRIFICATION**

Financial Statements  
December 31, 2022

DRAFT - For Discussion Purposes

November 23, 2023

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## INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

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To the Members of the Auditing Association of Canada/Association Canadienne de Vérification:

We have reviewed the accompanying financial statements of Auditing Association of Canada/Association Canadienne de Vérification that comprise the balance sheet of Auditing Association of Canada/Association Canadienne de Vérification as at December 31, 2022 and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Practitioners' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in a audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly we do not express an audit opinion on these financial statements.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Auditing Association of Canada/Association Canadienne de Vérification as at December 31, 2022, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario

XXX XX, 202X

**AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION**

BALANCE SHEET  
December 31, 2022  
(Unaudited)

	Notes	2022	2021
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 41,218	\$ 23,422
Accounts receivable		3,338	-
Short-term investments	2,6	52,857	51,515
Prepaid expenses		669	10,187
		\$ 98,082	\$ 85,124
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	3	\$ 19,165	\$ 13,568
Deferred revenue	4	17,516	15,820
		36,681	29,388
<b>GOVERNMENT LOAN</b>	5	40,000	40,000
		76,681	69,388
<b>NET ASSETS</b>			
Unrestricted net assets		(31,456)	(35,779)
Internally restricted net assets	6	52,857	51,515
		21,401	15,736
		\$ 98,082	\$ 85,124

Approved by the Board:

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## AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

STATEMENT OF CHANGES IN NET ASSETS  
For the year ended ended December 31, 2022  
(Unaudited)

	Unrestricted net assets	Internally restricted net assets	Total 2022	Total 2021
BALANCE, beginning of year	\$ (35,779)	\$ 51,515	15,736	23,766
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,323	1,342	5,665	(8,030)
BALANCE, end of year	\$ (31,456)	\$ 52,857	21,401	15,736

See accompanying notes

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## STATEMENT OF OPERATIONS

For the year ended December 31, 2022

(Unaudited)

	Notes	2022	2021
<b>REVENUE</b>			
Conference and meetings		\$ 20,229	\$ -
Memberships	4	22,752	23,179
Other income		7,780	20,521
Application and maintenance		8,196	8,970
		58,957	52,670
<b>EXPENDITURES</b>			
Executive director	7	25,000	35,503
Conference and meetings		10,665	-
Professional fees		8,950	11,050
Insurance		2,533	2,407
Bank charges and interest		2,318	2,221
Sub-contracts		1,650	-
Internet and website		1,012	6,864
Telephone		790	2,267
Bad debt expense		340	-
Postage and courier		34	144
Office and general		-	244
		53,292	60,700
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>		\$ 5,665	\$ (8,030)

See accompanying notes

**AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION**

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

(Unaudited)

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	\$ 5,665	\$ (8,030)
Items not involving cash:		
Short-term investments (accrued interest)	(1,342)	(311)
Forgiveness of debt	-	(20,000)
	4,323	(28,341)
Net change in non-cash working capital items:		
Accounts receivable	(3,338)	-
Prepaid expenses	9,518	(97)
Accounts payable and accrued liabilities	5,597	9,555
Deferred revenue	1,696	5,162
	17,796	(13,721)
<b>INVESTING ACTIVITY</b>		
Purchase of short-term investments	-	(40,000)
<b>FINANCING ACTIVITY</b>		
Proceeds from government loan	-	60,000
<b>INCREASE IN CASH</b>	17,796	6,279
<b>CASH, beginning of year</b>	23,422	17,143
<b>CASH, end of year</b>	\$ 41,218	\$ 23,422

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

(Unaudited)

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### THE ASSOCIATION

Auditing Association of Canada/Association Canadienne de Vérification (hereinafter, "the Association"), is a non-share capital corporation incorporated under the laws of Canada on October 25, 1994 to be carried on without the purpose of gain for its members. Any earnings or other accretions of the Association shall be used in promoting its objectives.

### 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting principles applying accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### Change in accounting policy

##### **Financial instruments originated or exchanged in a related party transaction**

The Organization applied the amendments to FINANCIAL INSTRUMENTS, Section 3856, relating to the recognition of financial instruments originated or exchanged in a related party transaction.

Under these new requirements, such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms. Subsequent measurement depends on the initial method used and is usually at cost less any reduction for impairment.

The adoption of these new requirements had no impact on the Organization's financial statements.

#### Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses.

#### Deferred revenue

All membership dues received in advance of meeting the above noted revenue recognition criteria are recorded as deferred revenue.

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

(Unaudited)

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### 1 SIGNIFICANT ACCOUNTING POLICIES continued

#### Contributed services

A number of volunteers, including directors and officers of the Association, contributed a significant amount of time to the Association. The Association would not have otherwise paid for these services and the fair value of these services cannot be reasonably estimated. As a result, contributed services are not recognized in these financial statements.

#### Equipment

Equipment is accounted for at cost and amortized on the basis of its useful life using the declining balance method at the following annual rate:

Computer equipment	55% declining balance
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The estimated useful life of the asset is reviewed by management and adjusted if necessary.

DRAFT - For Discussion Purposes



# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

(Unaudited)

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### 1 SIGNIFICANT ACCOUNTING POLICIES continued

#### Revenue recognition

The Association has elected to use the deferral method of accounting for recognizing revenues from contributions. Specific contributions are accounted for using the following policies:

##### (a) Unrestricted contributions

Unrestricted contributions, unrestricted operating government grants, donations, and other unrestricted contributions are recognized as revenue when received or receivable. Revenues from memberships and applications are recognized in the period they relate to and conference revenues upon completion of the conference.

##### (b) Restricted contributions

Externally restricted contributions, government grants, donations, and other restricted contributions are recognized as revenue depending on the nature of the restrictions imposed on the use by the contributors.

(i) Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year the related expenses are incurred.

(ii) Contributions restricted for capital purposes are recorded as deferred revenue until the amount is invested in capital assets.

##### (c) Endowment contributions

Endowment contributions are recorded as a direct increase in net assets in the year in which they are received.

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

(Unaudited)

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### 1 SIGNIFICANT ACCOUNTING POLICIES continued

#### Financial instruments

##### Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions that are measured at the carrying amount or exchange amount.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial instruments measured at amortized cost include cash, short-term investments, accounts payable, accrued liabilities, deferred revenue and government loan.

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in net income.

### 2 SHORT-TERM INVESTMENTS

	2022	2021
Guaranteed Investment Certificate (GIC), 4.50%, maturing February 2024, at cost	\$ 11,525	\$ 11,254
Guaranteed Investment Certificate (GIC), 4.40%, maturing September 2023, at cost	40,560	40,000
Accrued interest as at December 31, 2022	772	261
	<u>\$ 52,857</u>	<u>\$ 51,515</u>

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

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### 3 GOVERNMENT REMITTANCES

As at December 31, 2022, the Association did not have any amounts owing for government remittances (2021 - \$nil).

Government remittances can include, but are not limited to the following: federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. Government remittances do not include any amounts owing in relation to corporate income taxes.

### 4 DEFERRED REVENUE

Deferred revenue consists of membership fees received in advance of year-end for the subsequent fiscal year end which are accounted for as described in Note 1.

Membership fees are amortized into income over the relevant membership periods on a straight line basis.

### 5 GOVERNMENT LOAN

In the prior year, under the Canada Emergency Business Account ("CEBA") program, the Association received a \$60,000 loan (the "loan"). The loan was made available on certain terms and conditions, and in reliance on attestations made by the treasurer, on behalf of the Association, in the agreement.

The loan is an interest-free loan, available to the Association until January 18, 2024. If the Association does not repay the loan by January 18, 2024 the loan will be converted into an interest-bearing loan under the terms as determinable by the bank at that time. If the Association repays \$40,000 by January 18, 2024, the balance of \$20,000 will be forgiven. The forgivable amount is included into income in the period the loan is received as a reduction of amounts paid to the executive director.

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

(Unaudited)

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### 6 INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent funds that have been internally restricted by the board of the Association, for which expenditures there from require approval of the board. The board has allocated funds as follows:

	2022	2021
Defense	\$ 11,705	\$ 11,331
CEBA Loan (Note 5)	41,152	40,184
	<u>\$ 52,857</u>	<u>\$ 51,515</u>

The defense fund is a fund established in lieu of E&O insurance to assist the Association fund any legal expenses required in the unlikely event of an issue.

The CEBA Loan (Note 5) fund is a fund established to collect interest from the invested GIC until the loan is due on January 18, 2024.

### 7 RELATED PARTY TRANSACTIONS

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by both parties. During the year, the Association paid consulting fees for the management of the Association's operations to a company managed by the former Executive Director amounting to \$25,000 (2021 - \$55,503).

Included in the accounts payable and accrued liabilities is an amount owed to the above-mentioned company of \$13,715 (2021 - \$9,162).

### 8 FINANCIAL INSTRUMENTS

#### Risks and concentrations

The Association is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Association's risk exposure at December 31, 2022.

# AUDITING ASSOCIATION OF CANADA/ASSOCIATION CANADIENNE DE VÉRIFICATION

## NOTES TO THE FINANCIAL STATEMENTS

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### 8 FINANCIAL INSTRUMENTS continued

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risk relates to its accounts receivable. The Association provides credit to its members in the normal course of its operations.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Association does not have exposure to the above noted risks.

### 9 COVID-19

The 2019 Novel Coronavirus infection ("COVID-19", "the virus") pandemic poses a major health threat with a resulting hindrance in the movement of people and products worldwide. Government restrictions on both individuals and businesses are widespread and the resulting impact on financial reporting may be significant.

This virus has had impacts on the Association's business with disruptions to operations, including the postponement of the annual conference.

The duration and financial effect of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

While the extent and duration of the impact of COVID-19 remains uncertain, the Association has implemented several measures to protect its financial position and preserve liquidity. Cost containment measures include the executive director's suspension of his monthly fee until such time as funds become available.

The Association has sufficient cash on hand at the year-end to meet its foreseeable obligations.