Consolidated Financial Statements of

# FINANCIAL EXECUTIVES INTERNATIONAL CANADA/ DIRIGEANTS FINANCIERS INTERNATIONAUX DU CANADA

Year ended June 30, 2018

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

# INDEPENDENT AUDITORS' REPORT

To the Members of Financial Executives International Canada/
Dirigeants Financiers Internationaux du Canada

We have audited the accompanying consolidated financial statements of Financial Executives International Canada/Dirigeants Financiers Internationaux du Canada, which comprise the consolidated statement of financial position as at June 30, 2018, the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

KPMG



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Financial Executives International Canada/Dirigeants Financiers Internationaux du Canada as at June 30, 2018 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Other Matter*

The consolidated financial statements of Financial Executives International Canada/ Dirigeants Financiers Internationaux du Canada as at and for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on December 4, 2017.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 2, 2018
Vaughan, Canada

# FINANCIAL EXECUTIVES INTERNATIONAL CANADA/ DIRIGEANTS FINANCIERS INTERNATIONAUX DU CANADA

Consolidated Statement of Financial Position

June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 344,533 | $ 598,043 |
| Investments (note 2) | 1,229,001 | 1,024,575 |
| Amounts receivable | 160,703 | 117,045 |
| Prepaid expenses and deposits | 69,826 | 75,530 |
| | 1,804,063 | 1,875,193 |
| Investments (note 2) | – | 181,764 |
| Capital assets (note 3) | 36,498 | 32,240 |
| Intangible assets (note 4) | 213 | 11,797 |
| | $ 1,840,774 | $ 2,100,994 |
| **Liabilities and Fund Balances** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 715,112 | $ 649,280 |
| Dues and fees received in advance | 297,196 | 314,308 |
| Deferred revenue | 217,267 | 182,611 |
| | 1,229,575 | 1,146,199 |
| Pension liabilities (note 5) | 99,005 | 130,241 |
| Fund balances: | | |
| Operating (note 6): | | |
| Internally restricted | 410,000 | 410,000 |
| Strategic Initiatives | 65,483 | 370,517 |
| | 475,483 | 780,517 |
| Invested in capital and intangible assets (note 7) | 36,711 | 44,037 |
| | 512,194 | 824,554 |
| Commitments (note 8) | | |
| | $ 1,840,774 | $ 2,100,994 |

See accompanying notes to consolidated financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

# FINANCIAL EXECUTIVES INTERNATIONAL CANADA/ DIRIGEANTS FINANCIERS INTERNATIONAUX DU CANADA

Consolidated Statement of Operations

Year ended June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---|---|
| Revenue: | | |
| Events | $ 1,070,808 | $ 962,184 |
| Membership dues and fees | 606,845 | 681,440 |
| National Strategic Partner Program | 266,458 | 349,708 |
| CFERF research studies and donations | 102,525 | 207,705 |
| Investment income | 16,403 | 17,855 |
| Miscellaneous | 1,349 | 10,588 |
| | 2,064,388 | 2,229,480 |
| Expenses: | | |
| Compensation | 1,101,801 | 1,290,136 |
| Events | 795,631 | 657,005 |
| Administration, occupancy and other costs | 413,132 | 356,734 |
| Profile, branding and advocacy | 51,285 | 19,812 |
| National Strategic Partnership Program | 48,020 | 45,545 |
| Pension plan | 5,604 | 17,965 |
| | 2,415,473 | 2,387,197 |
| Excess of expenses over revenue | $ (351,085) | $ (157,717) |

See accompanying notes to consolidated financial statements.

# FINANCIAL EXECUTIVES INTERNATIONAL CANADA/ DIRIGEANTS FINANCIERS INTERNATIONAUX DU CANADA

Consolidated Statement of Changes in Fund Balances

Year ended June 30, 2018, with comparative information for 2017

| | | | | 2018 | 2017 |
|---|---|---|---|---|---|
| | Internally restricted | Operating Strategic Initiatives | Invested in capital and intangible assets | Total | Total |
| | (note 6(a)) | (note 6(b)) | | | |
| Fund balances, beginning of year | $ 410,000 | $ 370,517 | $ 44,037 | $ 824,554 | $ 890,671 |
| Excess of expenses over revenue | – | (351,085) | – | (351,085) | (157,717) |
| Change in fund balance invested in capital and intangible assets (note 7) | – | 7,326 | (7,326) | – | – |
| Remeasurement gain, pension plan (note 5) | – | 38,725 | – | 38,725 | 91,600 |
| Fund balances, end of year | $ 410,000 | $ 65,483 | $ 36,711 | $ 512,194 | $ 824,554 |

See accompanying notes to consolidated financial statements.

# FINANCIAL EXECUTIVES INTERNATIONAL CANADA/ DIRIGEANTS FINANCIERS INTERNATIONAUX DU CANADA

Consolidated Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---|---|
| Cash flows from (used in): | | |
| Operating activities: | | |
| Excess of expenses over revenue | $ (351,085) | $ (157,717) |
| Items not involving cash: | | |
| Amortization of capital assets | 28,838 | 22,958 |
| Amortization of intangible assets | 11,584 | 17,108 |
| Change in non-cash operating working capital: | | |
| Amounts receivable | 16,342 | (14,405) |
| Prepaid expenses and deposits | 5,704 | 30,072 |
| Accounts payable and accrued liabilities | 65,832 | (89,794) |
| Dues and fees received in advance | (17,112) | (22,538) |
| Deferred revenue | 34,656 | (90,922) |
| | (205,241) | (305,238) |
| Financing activities: | | |
| Pension liabilities | 7,489 | (21,870) |
| Investing activities: | | |
| Purchase of investments, net | (22,662) | (17,453) |
| Purchase of capital assets | (33,096) | (21,680) |
| | (55,758) | (39,133) |
| Decrease in cash | (253,510) | (366,241) |
| Cash, beginning of year | 598,043 | 964,284 |
| Cash, end of year | $ 344,533 | $ 598,043 |

See accompanying notes to consolidated financial statements.

Financial Executives International Canada/Dirigeants Financiers Internationaux du Canada ("FEI Canada") is a not-for-profit membership organization established to connect financial executives through networking, knowledge exchange, advocacy and ethical leadership. It is a registered non-profit organization, which is exempt from income taxes under the Income Tax Act of Canada.

The consolidated financial statements include the accounts of the FEI Canada's controlled foundation, Canadian Financial Executives Research Foundation/Fondation De Recherche Des Dirigeants Financiers Du Canada ("CFERF"). CFERF is separately incorporated and was formed to promote, conduct and sponsor research and publishing projects on business management topics. FEI Canada provides administrative support and management to CFERF and is not remunerated for this support.

FEI Canada is affiliated with chapters throughout Canada, and is affiliated with Financial Executives International in the United States ("FEI"). FEI Canada chapters are independently responsible for funding and managing their operations and, accordingly, the chapters are not consolidated in these financial statements.

## 1. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations applied within the framework of the accounting policies summarized below.

(a) Revenue recognition:

Revenue from membership dues is recognized over the membership year. Initiation fees are recognized on admission to membership. Revenue from National Strategic Partners is recognized over the term of the agreement. Revenue from seminars and conferences is recognized as events are held. Donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from research studies are recognized when surveys are issued and when final research papers are published. Interest income is accrued and recognized pro-rata to maturity. Fair value gains and losses are reflected in investment income in the period in which they arise.

**1. Significant accounting policies (continued):**

(b) Financial instruments:

FEI Canada initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial assets and financial liabilities at amortized cost, except for bonds quoted in an active market which are subsequently measured at fair value. Changes in fair value are recognized as investment income in the consolidated statement of operations.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, FEI Canada determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount FEI Canada expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution less accumulated amortization. When a capital asset no longer contributes to FEI Canada's ability to provide services, its carrying amount is written down to its residual value.

Amortization is computed on a straight-line basis at the following rates over the estimated useful lives of the capital assets:

| | |
|---|---|
| Computer equipment and software | 2-3 years |
| Office equipment and leasehold improvements | 5-7 years |

## 1. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets consisting of website development costs are recorded at cost less accumulated amortization.

Amortization of the website is provided for on a straight-line basis at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The website is being amortized over three years.

When an intangible asset no longer contributes to FEI Canada's ability to provide services, its carrying amount is written down to its residual value.

(e) Contributed services:

Volunteers contribute many hours to assist FEI Canada in carrying out its events. Due to the difficulty of determining their fair value, contributed services are not recognized in the consolidated financial statements.

(f) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board of Directors may undertake in the future. Significant accounting estimates include pension liabilities and estimated useful lives of capital and intangible assets. Actual results could differ from those estimates.

## 2. Investments:

Investments consist of guaranteed investment certificates ("GICs") with effective interest rates ranging from 0.85% to 2.40% (2017 - 0.85% to 1.55%), with maturity dates ranging from July 2018 to June 2019 (2017 - July 2017 to June 2019). Investments maturing within a year are classified as short-term investments.

Included in investment income is accrued interest on GICs of $6,450 (2017 - $6,450).

## 3. Capital assets:

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|---|---|---|---|---|
| Computer equipment and software | $ 209,601 | $ 178,460 | $ 31,141 | $ 31,190 |
| Office equipment and leasehold improvements | 53,127 | 47,770 | 5,357 | 1,050 |
| | $ 262,728 | $ 226,230 | $ 36,498 | $ 32,240 |

## 4. Intangible assets:

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|---|---|---|---|---|
| Website | $ 51,324 | $ 51,111 | $ 213 | $ 11,797 |

## 5. Pension plan:

FEI Canada participates in a multi-employer defined benefit pension plan with FEI and an FEI affiliate for certain of its former employees. The pension plan has been closed to any new employees hired after March 1, 2005. The plan assets are held in U.S. funds and the pension benefits are paid to employees in U.S. dollars based on the exchange rate determined under the plan at the date of retirement, adjusted annually. The most recent pension actuarial valuation for funding purposes was performed as at June 30, 2017. The next required funding valuation will be as at June 30, 2020. The pension plan's information is as follows:

| | 2018 | 2017 |
|---|---|---|
| Accrued pension obligation | $ 1,157,937 | $ 1,140,282 |
| Fair value of plan assets | 1,058,932 | 1,010,041 |
| Pension liabilities | $ 99,005 | $ 130,241 |

The significant actuarial assumptions adopted in measuring the accrued pension obligation as at June 30, and the pension expenses are as follows:

| | 2018 | 2017 |
|---|---|---|
| Discount rate for accrued pension obligations and pension benefit cost | 4.27% | 4.00% |

## 6. Operating funds:

(a) Internally restricted:

The Board of Directors have established a reserve to provide for the continuity of ongoing operations. This amount is subject to adjustment upon review by the Board of Directors annually.

**6. Operating funds (continued):**

(b) Strategic Initiatives:

This portion of the operating funds is the cumulative excess of operating revenue over expenses less the amount of internally restricted funds and amounts invested in capital assets. These funds are available to be used for specific projects that provide enduring benefit to FEI Canada as approved by the Board of Directors and to fund current operations as required.

**7. Invested in capital and intangible assets:**

This fund records the capital assets and intangible assets used by FEI Canada, net of accumulated amortization and accumulated write-downs. The fund consists of the following:

| | 2018 | 2017 |
|---|---|---|
| Fund balance, beginning of year | $ 44,037 | $ 62,423 |
| Purchase of capital assets | 33,096 | 21,680 |
| Amortization of capital assets | (28,838) | (22,958) |
| Amortization of intangible assets | (11,584) | (17,108) |
| Fund balance, end of year | $ 36,711 | $ 44,037 |

**8. Commitments:**

FEI Canada is committed to lease payments for its premises until April 30, 2024. Future minimum lease payments are as follows:

| | |
|---|---|
| 2019 | $ 95,000 |
| 2020 | 119,000 |
| 2021 | 121,000 |
| 2022 | 127,000 |
| 2023 and beyond | 259,000 |
| | $ 721,000 |

## 9. Financial risks:

Management has established policies and procedures to manage risks relating to financial instruments, with the objective of minimizing any adverse effects on financial performance. There has been no change in risk exposure from the prior year.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in the interest rates. FEI Canada is exposed to interest rate risk on its GICs.

(b) Liquidity risk:

Liquidity risk is defined as the risk FEI Canada may not be able to settle or meet its obligations as they come due. Liquidity risk also includes the risk of FEI Canada not being able to liquidate assets in a timely manner at a reasonable price.

FEI Canada meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations and anticipated investing and financing activities and holding assets that can be readily converted into cash.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Institute monitors customer credit history and deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

(d) Currency risk:

FEI Canada is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The pension plan assets are held in U.S. funds and the pension benefits are paid to employees in U.S. dollars. FEI Canada does not currently enter into forward contracts to mitigate this risk.

## 10. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.