

FINANCIAL STATEMENTS
For
**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
For the year ended
DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the members of the

CANADIAN PSYCHOLOGICAL ASSOCIATION/ SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE

We have audited the accompanying financial statements of the Canadian Psychological Association/Société Canadienne de psychologie, which comprise the statement of financial position as at December 31, 2017, and the 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.

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.

Auditor's Responsibility

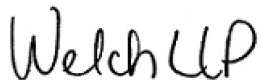
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Psychological Association/Société Canadienne de psychologie as at December 31, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 2, 2018.

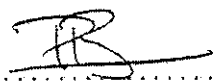
**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**

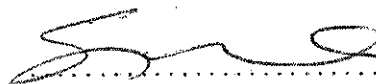
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 456,884	\$ 638,462
Accounts receivable	85,325	110,807
Prepaid expenses and advances	<u>235,275</u>	<u>173,767</u>
	777,484	923,036
INVESTMENTS (note 4)	2,312,816	1,861,158
TANGIBLE CAPITAL AND INTANGIBLE ASSETS (note 5)	<u>94,753</u>	<u>105,523</u>
	<u>\$ 3,185,053</u>	<u>\$ 2,889,717</u>
<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 280,163	\$ 287,773
Government remittances payable	81,581	70,827
Deferred revenue (note 6)	<u>1,025,827</u>	<u>932,534</u>
	1,387,571	1,291,134
LEASEHOLD INDUCEMENTS	<u>57,966</u>	<u>67,627</u>
	<u>1,445,537</u>	<u>1,358,761</u>
COMMITMENTS (note 7)		
CONTINGENT LIABILITIES (note 8)		
FUND BALANCES		
Unrestricted	1,280,070	1,069,886
Invested in tangible capital and intangible assets - internally restricted	94,753	105,523
Internally restricted funds (note 9)	303,293	294,597
Wesley Coons Memorial Fund - externally restricted (note 9)	<u>61,400</u>	<u>60,950</u>
	<u>1,739,516</u>	<u>1,530,956</u>
	<u>\$ 3,185,053</u>	<u>\$ 2,889,717</u>

On behalf of the Board:


..... Director


..... Director

(See accompanying notes)

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Members:		
Membership fees	\$ 1,570,340	\$ 1,543,746
Convention	384,291	270,880
Other	<u>16,114</u>	<u>15,035</u>
	1,970,745	1,829,661
Non-members:		
Royalties	281,769	250,955
Accreditation panel	272,417	261,475
Sponsorship and other	222,909	174,781
Advertising	118,813	108,306
Grants (note 10)	60,000	60,000
Investment	53,336	92,702
Course fees - Education Directorate	38,962	45,907
Foreign exchange gain (loss)	<u>(7,489)</u>	<u>4,117</u>
	<u>3,011,462</u>	<u>2,827,904</u>
EXPENSES		
Administration (note 11)	1,077,703	1,097,614
Less overhead allocation (note 11)	<u>(251,611)</u>	<u>(230,374)</u>
	826,092	867,240
Annual convention	521,845	441,470
Public affairs	295,846	243,270
Accreditation panel	253,787	257,732
Membership	209,191	173,681
Journal productions	186,810	175,041
Information technology	124,094	155,946
Science directorate	95,554	102,909
Practice directorate	95,357	90,566
Education directorate	74,732	55,858
Psynopsis	48,969	46,641
Section management	47,077	39,936
Association development	13,851	-
Publications	9,451	13,207
IUPsyS	<u>695</u>	<u>3,606</u>
	<u>2,803,351</u>	<u>2,667,103</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 208,111</u>	<u>\$ 160,801</u>

(See accompanying notes)

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Investment in tangible capital and intangible assets</u>	<u>Internally restricted funds (note 9)</u>	<u>Wesley Coons Memorial Fund (note 9)</u>	<u>2017 Total</u>	<u>2016 Total</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 1,069,886	\$ 105,523	\$ 294,596	\$ 60,950	\$ 1,530,955	\$ 1,369,205
Excess (deficiency) of revenue over expenses	262,197	-	(54,086)	-	208,111	160,801
Wesley Coons Fund net revenue (note 9)	-	-	-	450	450	950
Tangible capital and intangible asset additions	(11,583)	11,583	-	-	-	-
Amortization of tangible capital assets	22,353	(22,353)	-	-	-	-
Interfund transfers	<u>(62,783)</u>	<u>-</u>	<u>62,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,280,070</u>	<u>\$ 94,753</u>	<u>\$ 303,293</u>	<u>\$ 61,400</u>	<u>\$ 1,739,516</u>	<u>\$ 1,530,956</u>

(See accompanying notes)

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses		
- Operations	\$ 208,111	\$ 160,801
- Wesley Coons Memorial Fund	450	950
Items not involving cash:		
Amortization of tangible capital assets	22,353	27,042
Amortization of leasehold inducements	(9,661)	(9,661)
Change in fair value of investments	(24,467)	(71,104)
Changes in non-cash components of working capital:		
Accounts receivable	25,482	(11,314)
Prepaid expenses and advances	(61,508)	(34,484)
Accounts payable and accrued liabilities	(7,610)	(113,172)
Government remittances payable	10,754	(24,923)
Deferred revenue	<u>93,293</u>	<u>(148,685)</u>
	<u>257,197</u>	<u>(224,550)</u>
INVESTING ACTIVITIES		
Tangible capital asset additions	(11,583)	(6,383)
Purchase of investments	(2,194,471)	(796,580)
Proceeds from sale of investments	<u>1,767,279</u>	<u>804,063</u>
	<u>(438,775)</u>	<u>1,100</u>
DECREASE IN CASH	(181,578)	(223,450)
CASH, BEGINNING OF YEAR	<u>638,462</u>	<u>861,912</u>
CASH, END OF YEAR	<u>\$ 456,884</u>	<u>\$ 638,462</u>

(See accompanying notes)

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION

The Canadian Psychological Association (the "Association") was organized in 1939 and incorporated under the Canada Corporations Act, Part II in May 1950. Effective August 13, 2013, the Association continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. The Association is a not-for-profit organization and as such is not subject to income tax under paragraph 149(1)(l) of the Income Tax Act (Canada).

Its mission is to advance and promote psychology for the benefit of all. Its objectives are:

- To improve the psychological health and welfare of all Canadians;
- To promote excellence and innovation in psychological research, education and practice;
- To promote the advancement, development, dissemination, and application of psychological knowledge; and
- To provide high quality services to members.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Association uses the restricted fund method to recognize contributions for the Wesley Coons Memorial Fund. This fund reports the activities detailed in note 9.

The Association uses the deferral method of accounting for all other contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Unrestricted investment income is recognized as revenue when earned.

Membership fees and journal subscriptions are collected on a calendar year basis and are recognized as revenue in the year to which the membership or subscription relate. Fees and subscriptions collected prior to the membership or subscription year are recorded as deferred revenue.

Accreditation panel fees are levied on an annual basis for the period of September 1 to August 31 and are recognized as revenue in the year to which they relate. The portion of the collected fees relating to the period of January 1 to August 31 is recorded as deferred revenue at December 31.

Fund accounting

The unrestricted fund accounts for the Association's program delivery, journal productions and administrative activities.

The tangible capital and intangible assets fund reports the Association's investment in tangible capital and intangible assets.

Internally and externally restricted funds report the revenue, expenses and fund balances of the activities of the Association for which the funding is restricted to that activity and are described in note 9.

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Sections processing charge

The Association and its 31 Sections represent the interests and promote the advancement of the discipline of psychology in Canada. The Association has significant influence over these Sections. The cash balances for the sections totaled \$222,718 (2016 - \$267,675) and are not included in these financial statements

Allocation of administration expenses

A portion of administration expense is allocated as overhead to the journal subscriptions, convention, accreditation panel, psynopsis, information technology, public affairs, IUPsys and membership functions.

Other than publications, administration is allocated based on a percentage of 18% of the direct expenses of each function. Amounts are allocated to publications based on a percentage of 18% of publications revenue of each function.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Cash and publicly traded securities are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Tangible capital and intangible assets

Tangible capital and intangible assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital or intangible asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital and intangible assets are amortized over their estimated useful lives as follows:

Declining balance basis:

Office furniture and equipment	20%
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Straight line basis:

Computers	five years
Leasehold improvements	term of the lease
Computer software	three years

Leasehold inducements

Leasehold inducements are deferred and amortized over the term of the lease. Annual amortization is recorded as a credit to rent expense.

Use of estimates

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL RISK MANAGEMENT

The Association is exposed to and manages various financial risks resulting from both its operations and its investment activities and does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Association's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association's maximum exposure to credit risk is the sum of the carrying value of its cash, its investments and accounts receivable. The Association's cash and investments are deposited with a Canadian chartered bank and as a result, management believes the risk of loss of these items to be remote. Accounts receivable balances are managed and analysed on an ongoing basis and accordingly, management believes all amounts receivable will be collected and has determined that a provision for bad debts is not required.

Liquidity risk

Liquidity risk is the risk that the Association cannot meet a demand for cash or fund its obligations as they become due. The Association meets its liquidity requirements by establishing budgets and cash estimates to ensure it has funds necessary to fulfil its obligations.

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 prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Association's exposure to financial risks as a result of foreign currency exchange rate fluctuations and the volatility of these rates is limited to its US dollar cash of \$40,475 (2016 - \$1,911).

ii) *Interest rate risk*

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate due to changes in market interest rates.

The Association believes it is not exposed to significant interest rate risk on its fixed interest rate financial instruments, as this risk is limited to its investments in guaranteed investment certificates and coupon bonds as disclosed in note 4.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Association is exposed to other price risk as it has investments in publicly traded securities (equities and mutual funds) that are subject to market fluctuations.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year.

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

4. INVESTMENTS

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates	\$ 1,512,254	\$ 1,295,601
Equities and mutual funds	699,471	438,853
Coupon bonds	<u>101,091</u>	<u>126,704</u>
	<u>\$ 2,312,816</u>	<u>\$ 1,861,158</u>

Guaranteed investment certificates have interest rates from 0.80% to 2.40% (2016 - 1.00% to 2.65%) and maturity dates ranging from January 12, 2018 to March 15, 2021.

Coupon bonds have interest rates from 4.00% to 4.85% (2016 - 4.38% to 4.85%) and maturity dates at November 12, 2020.

5. TANGIBLE CAPITAL AND INTANGIBLE ASSETS

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Tangible capital assets:				
Office furniture and equipment	\$ 90,217	\$ 56,158	\$ 34,059	\$ 37,142
Computers	66,291	47,431	18,860	19,573
Leasehold improvements	<u>68,972</u>	<u>27,138</u>	<u>41,834</u>	<u>48,808</u>
	225,480	130,727	94,753	105,523
Intangible assets:				
Computer software	<u>11,577</u>	<u>11,577</u>	-	-
	<u>\$ 237,057</u>	<u>\$ 142,304</u>	<u>\$ 94,753</u>	<u>\$ 105,523</u>

6. DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Membership fees	\$ 891,802	\$ 801,306
Accreditation panel fees	131,200	124,667
Practice directorate	1,969	-
Journal subscriptions	850	800
Representation donations	6	1,760
Association development	<u>-</u>	<u>4,000</u>
	<u>\$ 1,025,827</u>	<u>\$ 932,533</u>

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

7. COMMITMENTS

The Association is committed to payments under an operating lease for office space which expires December 31, 2023. The minimum aggregate rent payable to the expiry date is as follows:

2018	\$ 67,650
2019	73,062
2020	73,062
2021	73,062
2022 and beyond	<u>146,124</u>
	<u>\$ 432,960</u>

8. CONTINGENT LIABILITIES

The Association allows employees to accrue sick days and carry them forward to future years to be used as short-term disability, as necessary. These amounts do not vest with the employee and have not been recorded in these financial statements.

9. FUND BALANCES

Internally restricted funds

Internally restricted funds consist of the following:

	Balance, beginning of year	Excess (deficiency) of revenue over expenses	Interfund transfer	Balance, end of year
Accreditation panel fund	\$ 87,375	\$ 18,630	\$ -	\$ 106,005
IUPsyS fund	8,574	-	-	8,574
Practice directorate fund	113,568	(74,627)	62,783	101,724
Publications reserve fund	85,079	(753)	-	84,326
Section support fund	<u>-</u>	<u>2,664</u>	<u>-</u>	<u>2,664</u>
	<u>\$ 294,596</u>	<u>\$ (54,086)</u>	<u>\$ 62,783</u>	<u>\$ 303,293</u>

Internally restricted fund balances are committed for specific purposes, which reflect the application of the Association's reserve policy as follows:

The Accreditation panel fund is established as an internally dedicated source of funds for accreditation activities and related special projects.

The IUPsyS fund is established to fund attendance at IUPsyS conferences and the annual general meeting.

The Practice directorate fund is established to fund specific advocacy activities that have an interjurisdictional purpose. During the year, the Board of Directors approved an allocation of \$62,783 from the unrestricted fund balances to the Practice Directorate fund.

The Publications reserve fund represents an internally dedicated source of funds for new publications or future editions of current publications.

The Section support fund is established to fund section activities.

**CANADIAN PSYCHOLOGICAL ASSOCIATION/
SOCIÉTÉ CANADIENNE DE PSYCHOLOGIE**
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2017

9. **FUND BALANCES - Cont'd.**

Externally restricted funds

The Wesley Coons Memorial fund was established by the Estate of Wesley Coons to fund annual eligible expenses by members of the Board and designated senior staff.

The fund's activities are summarized below:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 2,449	\$ 2,731
Eligible expenses	<u>1,999</u>	<u>1,781</u>
Net revenue	<u>\$ 450</u>	<u>\$ 950</u>

10. **GRANT REVENUE**

The Association received grants from the Social Sciences and Humanities Research Council of Canada ("SSHRC") as noted below:

	<u>2017</u>	<u>2016</u>
Journals (Canadian Psychology and Canadian Journal of Behavioural Science)	<u>\$ 60,000</u>	<u>\$ 60,000</u>

11. **ADMINISTRATION EXPENSES**

Administration expenses prior to allocation consist of the following:

	<u>2017</u>	<u>2016</u>
Amortization - office	\$ 22,353	\$ 27,042
Bank charges and processing fees	63,227	58,257
Board, annual general meeting and report	113,207	130,105
Committee	1,067	5,309
Equipment and maintenance	6,219	6,285
Legal and professional	34,499	53,010
Office	81,706	82,317
Other	12,866	12,492
Recruitment	246	-
Rent and operating	164,223	154,735
Salaries and benefits	<u>578,090</u>	<u>568,062</u>
	<u>\$ 1,077,703</u>	<u>\$ 1,097,614</u>

Expenses were allocated into the various functions on the statement of operations as follows:

	<u>2017</u>	<u>2016</u>
Accreditation panel	\$ 38,713	\$ 39,315
Convention	79,501	67,327
Information technology	18,930	23,788
Journal productions	28,496	26,701
Membership	32,437	27,169
Psynopsis	7,470	7,115
Publications	935	1,850
Public Affairs	<u>45,129</u>	<u>37,109</u>
	<u>\$ 251,611</u>	<u>\$ 230,374</u>