



Financial Statements

College of Patent Agents and Trademark Agents

December 31, 2022

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Independent auditor's report

To the registrants of the
College of Patent Agents and Trademark Agents

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Opinion

We have audited the financial statements of the College of Patent Agents and Trademark Agents ("CPATA"), which comprise the statement of financial position as at December 31 2022 and the statements of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CPATA as at December 31, 2022 and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian 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 CPATA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing CPATA'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 CPATA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CPATA's financial reporting process.

Auditor's Responsibilities 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 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 CPATA'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 CPATA'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 CPATA 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 achieves 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.



Chartered Professional Accountants

Halifax, Canada
March 24, 2023

College of Patent Agents and Trademark Agents

Statement of financial position

As at December 31

2022

2021

Assets

Current

Cash and cash equivalents	\$ 454,538	\$ 466,824
GST/HST receivable	42,290	-
Prepaid expenses	<u>28,391</u>	<u>24,888</u>
	525,219	491,712

Capital assets (Note 3)

	<u>9,714</u>	<u>8,169</u>
	<u>\$ 534,933</u>	<u>\$ 499,881</u>

Liabilities

Current

Payables and accruals (Note 5)	\$ 230,050	\$ 222,228
GST/HST payable	-	<u>32,636</u>
	<u>230,050</u>	<u>254,864</u>

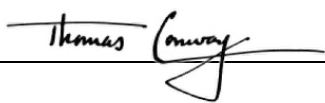
Net assets

Unrestricted net assets

	<u>304,883</u>	<u>245,017</u>
	<u>\$ 534,933</u>	<u>\$ 499,881</u>

Contingent liability (Note 6)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

College of Patent Agents and Trademark Agents

Statement of operations

Year ended December 31	2022	2021
Revenues		
License fees	\$ 2,121,355	\$ 1,453,817
Exam fees	168,350	106,000
Application fees	64,354	25,925
Canadian Intellectual Property Office transfer grant	-	476,000
	<u>2,354,059</u>	<u>2,061,742</u>
Expenses		
Amortization	3,156	1,442
Audit fees	19,260	24,610
Board and committee	335,712	110,110
Communication and government relations	101,138	35,094
Dues and memberships	6,089	2,522
Exam software	39,407	38,117
Finance and accounting	92,290	89,830
Human resource and recruitment	180,385	119,087
Information technology and website	38,508	27,739
Insurance	60,872	50,785
Interest and bank charges	53,026	55,867
Legal fees	397,574	250,881
Licensee system software	52,200	41,070
Office	22,330	9,840
Registration and program consulting fees	122,437	121,038
Salaries and benefits	651,593	391,245
Staff travel	19,803	5,669
Translation fees	98,412	52,848
	<u>2,294,193</u>	<u>1,427,794</u>
Excess of revenues over expenditures	\$ <u>59,866</u>	\$ <u>633,948</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statement changes in net assets

Year ended December 31	2022	2021
Net assets, beginning of the year	\$ 245,017	\$ (388,931)
Excess of revenues over expenditures	<u>59,866</u>	<u>633,948</u>
Net assets, end of year	<u>\$ 304,883</u>	<u>\$ 245,017</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statement of cash flows

Year ended December 31	2022	2021
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenues over expenditures	\$ 59,866	\$ 633,948
Amortization	<u>3,156</u>	<u>1,442</u>
	63,022	635,390
Change in non-cash operating working capital		
Prepaid expenses	(3,503)	(14,888)
GST/HST receivable/payable	(74,926)	67,449
Payables and accruals	<u>7,822</u>	<u>(211,516)</u>
	(7,585)	476,435
Investing		
Purchase of capital assets	<u>(4,701)</u>	<u>(9,611)</u>
Net (decrease) increase in cash and cash equivalents	(12,286)	466,824
Cash and cash equivalents		
Beginning of year	<u>466,824</u>	-
End of year	<u>\$ 454,538</u>	<u>\$ 466,824</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2022

1. Nature of operations

The College of Patent Agents and Trademark Agents (CPATA) is a not-for-profit organization, established as a statutory body corporate pursuant to the College of Patent Agents and Trademark Agents Act (S.C. (Statutes of Canada) 2018, c. 27, s. 247) on December 13, 2018. CPATA began operations in 2020 and assumed responsibility for regulating the practice of Patent Agents and Trademark Agents in Canada from the Canadian Intellectual Property Office (CIPO) on June 28, 2021.

The purpose of CPATA is to regulate patent and trademark agents in the public interest and to enhance the public's ability to secure intellectual property rights under the Patent Act and the Trademarks Act. CPATA is a registered non-profit under the Income Tax Act and is exempt from income taxes.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant accounting policies are detailed as follows:

Fund accounting

CPATA follows a policy of appropriating surplus for future commitments. Surplus is allocated based on projected future requirements. Unrestricted net assets are available for future general use of CPATA.

CPATA does not currently have any Internally restricted net assets. CPATA is developing policies related to funds which the Board of Directors may restrict for the purpose of covering expenditures in excess of its operating budget. Internally restricted funds are not available for other purposes without the approval of the Board of Directors.

Financial instruments

Initial measurement

CPATA's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred. Financial instruments consist of cash and cash equivalents, payables and accruals, GST/HST payable and GST/HST receivable.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

At each reporting date, CPATA measures its financial assets and liabilities at fair value of amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash and cash equivalents, payables and accruals, GST/HST payable and GST/HST receivable. Investments are carried at fair value.

For financial assets measured at cost or amortized cost, CPATA regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and CPATA determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

It is management's opinion that CPATA is not exposed to significant interest, currency or credit risks arising from these financial instruments. CPATA's main financial instrument risk exposure is detailed as follows:

Liquidity risk

Liquidity risk is the risk that CPATA will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CPATA manages its liquidity risk by monitoring its operating requirements. CPATA prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Cash and cash equivalents

Cash and cash equivalents include balances on deposit with financial institutions.

Capital assets

Capital 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 capital asset no longer contributes to CPATA's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the following methods and rates:

Computer hardware	30%	declining balance
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College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2022

2. Summary of significant accounting policies (continued)

Revenues

CPATA follows the deferral method of accounting for 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.

Licence fees are recognized as revenue over the period of licensure. For 2021 this period began in June when CPATA officially came into force (i.e., June to December). For subsequent years starting in 2022 the recognition period will be over the full calendar year.

Exam fees are recognized as revenue over the period in the which the exams are written.

Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Items subject to significant management estimates include useful lives of capital assets.

3. Capital assets

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 14,312	\$ 4,598	\$ 9,714	\$ 8,169

4. Credit facility

CPATA has an authorized revolving demand facility with RBC in the amount of \$500,000 (2021 - \$1,000,000). This facility bears interest at the prime rate plus 2.5% per annum. Interest is payable monthly, in arrears, on the same day each month as determined by RBC. During 2022 CPATA had not drawn any funds (2021 - \$894,000) against the facility and as of December 31, 2022, the balance outstanding was \$Nil (2021 - \$Nil).

Security for the borrowing and all other obligations of CPATA are secured by:

- i. a general security agreement constituting a first ranking security interest in all personal property of the Borrower; and
- ii. an Irrevocable guarantee in the amount of \$1,000,000 signed by His Majesty the King in Right of Canada, as represented by the Minister of Innovation, Science and Industry, supported by an opinion letter.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2022

5. Payables and accruals

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 150,674	\$ 117,600
Accrued liabilities	14,859	37,890
Credit card payable	4,234	5,463
Committee remuneration payable	60,000	61,119
Agent application deposits	283	156
	<u>\$ 230,050</u>	<u>\$ 222,228</u>

6. Contingent liabilities

CPATA may be party to claims as both a plaintiff or defendant. CPATA's management believes it has valid defenses and/or liability insurance against all actions currently outstanding against CPATA. Accordingly, no amount has been recorded in the financial statements with respect to the potential losses relating to litigation. A loss, should one occur, will be charged to operations in the year in which such loss is determined.

7. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.