



Financial Statements

College of Patent Agents and Trademark Agents

December 31, 2021

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Independent auditor's report

To the registrants of
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 statements of financial position as at December 31, 2021, December 31, 2020 and January 1, 2020, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2021 and December 31, 2020, 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, 2021, December 31, 2020 and January 1, 2020 and its results of its operations and its cash flows for the years ended December 31, 2021 and December 31, 2020 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.

Halifax, Canada
March 17, 2022



Chartered Professional Accountants

College of Patent Agents and Trademark Agents

Statements of financial position

As at December 31 2021 2020 January 1, 2020

Assets

Current

Cash and cash equivalents	\$	466,824	\$	-	\$	-
HST receivable		-		34,813		-
Prepaid expenses		<u>24,888</u>		<u>10,000</u>		-
		491,712		44,813		-

Capital assets (note 4)

		<u>8,169</u>		-		-
	\$	499,881	\$	44,813	\$	-

Liabilities

Current

Payables and accruals (Note 6)	\$	222,228	\$	433,744	\$	17,850
HST payable		<u>32,636</u>		-		-
		<u>254,864</u>		<u>433,744</u>		<u>17,850</u>

Net assets

Unrestricted net assets		<u>245,017</u>		(388,931)	(17,850)	
	\$	499,881	\$	44,813	\$	-


Contingent liability (note 7)

On behalf of the Board

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Director

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Director

See accompanying notes to the financial statements.

College of Patent Agents and Trademark Agents

Statements of operations

Year ended December 31	2021	2020
Revenues		
License fees	\$ 1,453,817	\$ -
Canadian Intellectual Property Office transfer grant	476,000	-
Exam fees	106,000	-
Application fees	<u>25,925</u>	<u>-</u>
	<u>2,061,742</u>	<u>-</u>
Expenses		
Accounting fees	24,610	-
Amortization	1,442	-
Board and committee	110,110	62,687
Dues and memberships	2,522	-
Exam software	38,117	-
Insurance	50,785	18,895
Interest and bank charges	55,867	-
Legal fees	250,881	27,492
Licensee system software	41,070	20,000
Office	9,840	-
Professional and consulting fees	392,788	63,605
Salaries and benefits	391,245	178,402
Staff travel	5,669	-
Translation fees	<u>52,848</u>	<u>-</u>
	<u>1,427,794</u>	<u>371,081</u>
Excess (deficit) of revenues over expenditures	\$ <u>633,948</u>	\$ <u>(371,081)</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statements changes in net assets

Year ended December 31	2021	2020
Net assets, beginning of the year	\$ (388,931)	\$ (17,850)
Excess (deficit) of revenues over expenditures	<u>633,948</u>	<u>(371,081)</u>
Net assets, end of year	<u>\$ 245,017</u>	<u>\$ (388,931)</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statements of cash flows

Year ended December 31	2021	2020
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficit) of revenues over expenditures	\$ 633,948	\$ (371,081)
Amortization	<u>1,442</u>	<u>-</u>
	635,390	(371,081)
Change in non-cash operating working capital		
Prepaid expenses	(14,888)	(10,000)
HST receivable/payable	67,449	(34,813)
Payables and accruals	<u>(211,516)</u>	<u>415,894</u>
	476,435	-
Investing		
Purchase of capital assets	<u>(9,611)</u>	<u>-</u>
Net increase in cash and cash equivalents	466,824	-
Cash and cash equivalents		
Beginning of year	<u>-</u>	<u>-</u>
End of year	\$ 466,824	\$ -

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2021

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 CPATAs to regulate patent and trademark agents in the public interest, 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. First time adoption of accounting standards for not-for-profit organizations

The financial statements are CPATA's first financial statements prepared using ASNPO. The date of adoption to the new accounting standards is January 1, 2020.

The accounting policies presented in Note 2 are resulting from the application of ASNPO and were used to prepare the financial statements for the years ended December 31, 2020 and December 31, 2021, and the opening statement of financial position as at the date of adoption. The adoption of ASNPO did not result in any adjustments to the assets, liabilities, net assets or excess of expenses over revenues of CPATA. The transition did not result in any adjustments to the statement of cash flows. Prior to the adoption of the new accounting standards, CPATA incurred expenses relating to planning activities which are disclosed on the opening balance sheet. These amounts have been tested in accordance with ASNPO, and the impact on expenses, net assets, and statement of cash flows has been adjusted.

Under Section 1501, *First-time Adoption by Not-for-profit Organizations* contains optional exemptions to full retrospective application of ASNPO which CPATA may use upon transition. CPATA has not elected to use any of these exemptions.

3. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance using Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook. These statements are the first full set of financial statements presented by the Organization under these accounting standards. Details regarding the adoption of these standards and the impact on the financial statements is contained in note 2.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2021

3. Summary of significant accounting policies (continued)

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 has restricted 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, HST payable and HST receivable.

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, HST payable and 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.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2021

3. Summary of significant accounting policies (continued)

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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Deferred revenue

Deferred revenue includes licence and exam fees relating to the period after December 31, 2021. CPATA collects annual fees in January to March for the year to which the fees relate. Exam fees are collected in advance of exams being written from October to December each year.

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 the recognition period will be 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.

4. Capital assets

			<u>2021</u>	<u>2020</u>	<u>January 1 2020</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 9,611	\$ 1,442	\$ 8,169	\$ -	\$ -

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2021

5. Credit facilities

CPATA has two authorized credit facilities with RBC the aggregate of these two facilities shall not exceed \$1,000,000 at any time. These two facilities include:

- a) a revolving demand facility in the amount of \$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 the Bank. During 2021 CPATA had drawn \$894,000 against the facility and as of December 31, 2021, the balance outstanding was \$0. (2020 - \$0)
- b) A fixed rate term loan (non-revolving) in the amount of \$1,000,000.
- c) Security for the borrowings 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 Her Majesty the Queen in Right of Canada, as represented by the Minister of Innovation, Science and Industry, supported by an opinion letter.

6. Payables and accruals

	<u>2021</u>	<u>2020</u>	January 1 <u>2020</u>
Accounts payable	\$ 117,600	\$ 406,981	\$ -
Accrued liabilities	37,890	13,625	17,850
Credit card payable	5,463	-	-
Committee remuneration payable	61,119	13,138	-
Agent Application deposits	156	-	-
	<u>\$ 222,228</u>	<u>\$ 433,744</u>	<u>\$ 17,850</u>

7. 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.