

Board of Directors Meeting Agenda

Via Zoom

DATE	March 24, 2023
TIME	3:00 pm ET
CHAIR	Tom Conway

ITEM	TOPIC	TIME	SPEAKER	PAGE #	ACTION
1. Introductory Matters/Call to Order/ Approval of Agenda/Conflicts of Interest					
1.1	Call to Order – Introductory Remarks	3:00 pm	Chair	-	-
1.2	Conflicts of Interest – Board members are to declare if they have any conflicts regarding matters on the agenda	3:05	Chair	-	-
2. CPATA Governance					
2.1	Memo from Audit & Risk Committee Audited Financial Statements	3:05	Chair	2 3	Approve
3. Other Business					
Other Business (if any)		3:25	Chair		
In Camera					
Board and CEO		3:30	Separate Zoom meeting link to be provided.		
Future Meetings					
<u>2023</u>		<u>2024</u>			
April 13/23 Committee of the Whole		January 18/24 – Committee of the Whole			
May 25-26/23 AGM & Public Meeting Ottawa		March 7/24 – Board-Public meeting			
July 6/23 – Committee of the Whole		April 18/24 – Committee of the Whole			
August 17/23 – Board-Public meeting		May 29-31/24 AGM & Public Meeting Ottawa			
September 21/23-Committee of the Whole					
November 9/23 – Board-Public meeting					
December 14/23 – Board Public meeting					

Memorandum

TO	Board of Directors
FROM	Audit & Risk Committee
DATE	March 24, 2023
SUBJECT	Audited Financial Statements December 31, 2022

MOTION: Be it resolved:

The Board approves CPATA’s Audited Financial Statements for the period ending December 31, 2022 as provided in this meeting package;

Further, be it resolved the Chair or Vice-Chair of the Board and the Chief Executive Officer are authorized to sign the statements on behalf of the College and the CEO is authorized to publish the statements on CPATA’s website and distribute them as required.

The Audit & Risk Committee met with the auditors from Grant Thornton on Wednesday, March 15th to review the Audited Financial Statements and the Report to the Audit & Risk Committee on the Audit Results.

The Audit resulted in Grant Thornton reporting that the 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.

The Committee did ask management to revise the Statement of Operations to separate the Professional Fees – Consultant expenses into smaller amounts by service type. This has been done for the final set of statements being presented to the Board.

Recommendation:

The Audit & Risk Committee has reviewed CPATA’s Audited Financial Statements and reports for the period ending December 31, 2022, and recommends the approval of the Financial Statements to the Board of Directors.

**Bob Plamondon, FCPA FCA, ICD.D,
Audit & Risk Committee Chair**



Grant Thornton

Financial Statements

College of Patent Agents and Trademark Agents

December 31, 2022

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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>

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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	\$ 454,538	\$ 466,824

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.
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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.