



Financial Statements

College of Patent Agents and Trademark Agents

December 31, 2023

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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 2023 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, 2023 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 22, 2024

College of Patent Agents and Trademark Agents

Statement of financial position

As at December 31

2023

2022

Assets

Current

Cash and cash equivalents	\$ 440,537	\$ 454,538
GST/HST receivable	28,595	42,290
Prepaid expenses	<u>16,154</u>	<u>28,391</u>
	485,286	525,219

Capital assets (Note 3)

	<u>5,656</u>	<u>9,714</u>
	<u>\$ 490,942</u>	<u>\$ 534,933</u>

Liabilities

Current

Payables and accruals (Note 5)	\$ <u>198,644</u>	\$ <u>230,050</u>
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Net assets

Unrestricted net assets	<u>292,298</u>	<u>304,883</u>
	<u>\$ 490,942</u>	<u>\$ 534,933</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 2023 2022

Revenues

License fees	\$ 1,996,597	\$ 2,121,355
Exam fees	129,200	168,350
Application fees	67,065	64,354
Interest Income	<u>13,663</u>	<u>-</u>
	<u>2,206,525</u>	<u>2,354,059</u>

Expenditures

Amortization	2,465	3,156
Audit fees	26,400	19,260
Board and committee	367,342	335,712
Communications and stakeholder relations	22,450	101,138
Dues and memberships	8,392	6,089
Exam software	39,123	39,407
Finance and accounting	91,350	92,290
Human resource and recruitment	18,590	180,385
Information technology and website	23,473	38,508
Insurance	50,884	60,872
Interest and bank charges	47,490	53,026
Legal fees	379,909	397,574
Licensee system software	49,281	52,200
Office	33,052	22,330
Registration and program consulting fees	135,646	122,437
Salaries and benefits	815,717	651,593
Staff travel	26,440	19,803
Translation fees	<u>81,106</u>	<u>98,412</u>
	<u>2,219,110</u>	<u>2,294,193</u>

(Deficiency) excess of revenues over expenditures	<u>\$ (12,585)</u>	<u>\$ 59,866</u>
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See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statement changes in net assets

Year ended December 31	2023	2022
Net assets, beginning of the year	\$ 304,883	\$ 245,017
(Deficiency) excess of revenues over expenditures	<u>(12,585)</u>	<u>59,866</u>
Net assets, end of year	<u>\$ 292,298</u>	<u>\$ 304,883</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Statement of cash flows

Year ended December 31	2023	2022
Increase (decrease) in cash and cash equivalents		
Operating		
(Deficiency) excess of revenues over expenditures	\$ (12,585)	\$ 59,866
Amortization	<u>2,465</u>	<u>3,156</u>
	(10,120)	63,022
Change in non-cash operating working capital		
Prepaid expenses	12,237	(3,503)
GST/HST receivable/payable	13,695	(74,926)
Payables and accruals	<u>(31,406)</u>	<u>7,822</u>
	(15,594)	(7,585)
Investing		
Disposal of capital assets	1,593	-
Purchase of capital assets	<u>-</u>	<u>(4,701)</u>
	1,593	(4,701)
Net decrease in cash and cash equivalents	(14,001)	(12,286)
Cash and cash equivalents		
Beginning of year	<u>454,538</u>	<u>466,824</u>
End of year	<u>\$ 440,537</u>	<u>\$ 454,538</u>

See accompanying notes to the consolidated financial statements.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2023

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") as management has concluded that CPATA is not controlled by government. 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.

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2023

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 or 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. 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. Also included are short-term redeemable Guaranteed Investment Certificates (G.I.C.).

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, 2023

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.

License fees are recognized as revenue over the period of licensure which is the 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>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 11,566	\$ 5,910	\$ 5,656	\$ 9,714

College of Patent Agents and Trademark Agents

Notes to the financial statements

December 31, 2023

4. Credit facility

CPATA has an authorized revolving demand facility with RBC in the amount of \$500,000 (2022 - \$500,000). 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 2023 CPATA had not drawn any funds (2022 - \$Nil) against the facility and as of December 31, 2023, the balance outstanding was \$Nil (2022 - \$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.

5. Payables and accruals

	<u>2023</u>	<u>2022</u>
Payables	\$ 101,262	\$ 150,674
Accruals	24,272	14,859
Credit card payable	1,110	4,234
Committee remuneration payable	72,000	60,000
Agent application deposits	-	283
	<u>\$ 198,644</u>	<u>\$ 230,050</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.