

Financial Statements of

MORTGAGE PROFESSIONALS CANADA

And Independent Auditors' Report thereon

Year ended April 30, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Mortgage Professionals Canada

Opinion

We have audited the financial statements of Mortgage Professionals Canada (the Entity), which comprise:

- the statement of financial position as at April 30, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at April 30, 2022, and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the 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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.



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- 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 the Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.



A handwritten signature in black ink that reads "KPMG LLP". A thin horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 29, 2022

MORTGAGE PROFESSIONALS CANADA

Statement of Financial Position

April 30, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 110,181 | \$ 1,047,521 |
| Short-term investments (note 2) | 1,640,444 | 3,026,693 |
| Accounts receivable (notes 8 and 9) | 224,278 | 347,023 |
| Prepaid expenses and deposits | 319,282 | 138,824 |
| | <hr/> 2,294,185 | <hr/> 4,560,061 |
| Capital assets (note 3) | 27,123 | 183,136 |
| Long-term investments (note 2) | 4,473,017 | 1,560,395 |
| | <hr/> \$ 6,794,325 | <hr/> \$ 6,303,592 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | \$ 1,294,688 | \$ 1,247,596 |
| Course and event fees received in advance | 956,148 | 1,027,495 |
| Deferred membership revenue | 1,234,077 | 1,119,453 |
| | <hr/> 3,484,913 | <hr/> 3,394,544 |
| Net assets (note 5): | | |
| Invested in capital assets | 27,123 | 183,136 |
| Unrestricted | 910,099 | 353,722 |
| Internally restricted: | | |
| Operating reserve fund | 1,797,190 | 1,797,190 |
| Special issues fund | 200,000 | 200,000 |
| Asset replacement fund | 375,000 | 375,000 |
| | <hr/> 3,309,412 | <hr/> 2,909,048 |
| Commitments (note 6) | | |
| Industry risk (note 7(d)) | | |
| | <hr/> \$ 6,794,325 | <hr/> \$ 6,303,592 |

See accompanying notes to financial statements.

MORTGAGE PROFESSIONALS CANADA

Statement of Operations

Year ended April 30, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Revenue: | | |
| Membership | \$ 3,398,149 | \$ 3,172,014 |
| Education | 2,304,612 | 1,575,093 |
| Events | 474,250 | 207,755 |
| Advertising and publications | 391,852 | 261,586 |
| Government assistance (note 8) | 159,881 | 654,669 |
| Interest and other income | 138,372 | 219,563 |
| Designation dues | 76,767 | 56,389 |
| | <u>6,943,883</u> | <u>6,147,069</u> |
| Operating expenses: | | |
| Salaries and wages | 2,369,784 | 2,053,795 |
| Broker channel promotion | 1,064,443 | 948,583 |
| Education | 745,591 | 611,239 |
| Membership | 417,425 | 412,255 |
| Events | 392,953 | 158,437 |
| Employment costs | 372,756 | 321,427 |
| Information technology | 275,422 | 280,651 |
| Non-dues programs | 211,105 | 171,984 |
| Professional fees | 183,704 | 85,705 |
| Rent | 160,774 | 195,230 |
| Amortization | 156,013 | 213,942 |
| Office and general | 128,840 | 80,797 |
| Governance | 64,709 | 65,834 |
| | <u>6,543,519</u> | <u>5,599,879</u> |
| Excess of revenue over expenses | \$ 400,364 | \$ 547,190 |

See accompanying notes to financial statements.

MORTGAGE PROFESSIONALS CANADA

Statement of Changes in Net Assets

Year ended April 30, 2022, with comparative information for 2021

| | | | | | | | | 2022 | 2021 |
|---------------------------------|----------------------------------|--------------|--------------|--|------------|---|--------------|--|------|
| | Invested in capital assets | Unrestricted | | Internally restricted operating reserve fund | | Internally restricted special issues fund | | Internally restricted asset replacement fund | |
| | | | | (note 5) | | (note 5) | | (note 5) | |
| Net assets, beginning of year | \$ 183,136 | \$ 353,722 | \$ 1,797,190 | \$ 200,000 | \$ 375,000 | \$ 2,909,048 | \$ 2,361,858 | | |
| Excess of revenue over expenses | (156,013) | 556,377 | - | - | - | - | 400,364 | 547,190 | |
| Additions to capital assets | - | - | - | - | - | - | - | - | - |
| Interfund transfer (note 5) | - | - | - | - | - | - | - | - | - |
| | \$ 27,123 | \$ 910,099 | \$ 1,797,190 | \$ 200,000 | \$ 375,000 | \$ 3,309,412 | \$ 2,909,048 | | |

See accompanying notes to financial statements.

MORTGAGE PROFESSIONALS CANADA

Statement of Cash Flows

Year ended April 30, 2022, with comparative information for 2021

| | 2022 | 2021 |
|--|--------------------|----------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 400,364 | \$ 547,190 |
| Item not involving cash: | | |
| Amortization | 156,013 | 213,942 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 122,745 | (190,024) |
| Prepaid expenses and deposits | (180,458) | (25,561) |
| Accounts payable and accrued liabilities | 47,092 | 42,938 |
| Course and event fees received in advance | (71,347) | 184,639 |
| Deferred membership revenue | 114,624 | (5,294) |
| | 589,033 | 767,830 |
| Investing activities: | | |
| Additions to capital assets | - | (37,672) |
| Net change in investments | <u>(1,526,373)</u> | <u>304,437</u> |
| | (1,526,373) | 266,765 |
| Increase (decrease) in cash | (937,340) | 1,034,595 |
| Cash, beginning of year | 1,047,521 | 12,926 |
| Cash, end of year | \$ 110,181 | \$ 1,047,521 |

See accompanying notes to financial statements.

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements

Year ended April 30, 2022

Mortgage Professionals Canada (the "Association") is a not for profit organization incorporated without share capital under the Canada Corporations Act by Letters Patent dated November 3, 1994. The Association is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada). The purpose of the Association is to advance the Canadian mortgage broker channel, act as the unified, authoritative voice of the mortgage broker channel and be an indispensable resource to its members.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

(b) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated lives of the assets using the following annual rates:

| Asset | Rate |
|------------------------|----------------------------|
| Computer equipment | 33 - 1/3% |
| Computer software | 25% to 33 - 1/3% |
| Leasehold improvements | over the term of the lease |

Assets attributable to capital projects that are not available for use are held as capital under progress and are not amortized until they are entered into use.

(c) Revenue recognition:

The Association recognizes annual membership and Accredited Mortgage Professional ("AMP") designation dues as revenue in the year the fees are earned. Education and event fees are recognized as revenue when the related events occur. Advertising and publications, interest and other income are recognized as revenue when earned.

Deferred membership revenue represents unearned funds received as membership and AMP designation dues. Membership and AMP dues are recognized over the period which the membership and AMP dues cover.

Course and event fees received in advance represents funds received prior to the occurrence of the related course or event and are recognized as revenue when the related event occurs.

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements (continued)

Year ended April 30, 2022

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry any such financial instruments at fair value.

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 straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(e) Government assistance:

Government assistance related to current revenues and expenses is included in the determination of excess of revenue over expenses for the year.

(f) Use of estimates:

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the year. Actual results could differ from those estimates.

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements (continued)

Year ended April 30, 2022

2. Investments:

Short-term investments consist of primarily domestic fixed income bonds, securities, and guaranteed investment certificates. The investments mature between May 2, 2022 to April 24, 2023 (2021 - July 26, 2021 to April 28, 2022), with interest rates ranging from 1.00% to 3.00% (2021 - 0.45% to 2.79%).

Long-term investments consist of primarily domestic fixed income bonds, securities, and guaranteed investment certificates. The investments mature between August 5, 2023 to March 12, 2025 (2021 - May 6, 2022 to November 15, 2023), with interest rates ranging from 1.15% to 4.95% (2021 - 1.00% to 3.35%).

3. Capital assets:

| | | | | 2022 | | 2021 |
|------------------------|-----------|-----------|--------------------------|----------------|--|----------------|
| | | Cost | Accumulated amortization | Net book value | | Net book value |
| Computer equipment | \$ 48,430 | \$ 21,307 | \$ 27,123 | \$ 36,889 | | |
| Computer software | - | - | - | - | | 107,000 |
| Leasehold improvements | - | - | - | - | | 39,247 |
| | \$ 48,430 | \$ 21,307 | \$ 27,123 | \$ 183,136 | | |

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable in the amount of \$35,114 (2021 - \$71,243).

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements (continued)

Year ended April 30, 2022

5. Net assets:

The Association's Board of Directors has designated certain amounts of previously unrestricted net assets to be internally restricted. These internally restricted funds can only be utilized with the approval of the Board of Directors.

Operating reserve fund: This fund was established for the purpose of meeting obligations arising from unexpected events, to finance specific capital and operating projects, and to assist with the long-term financial stability and financial planning. The fund is drawn upon to minimize the effect of unanticipated expenditures, and to ensure the continuity of the Association in the event of adverse economic conditions resulting in operating shortfalls.

The Board of Directors approved an interfund transfer to internally restrict nil (2021 - \$547,190).

Special issues fund: This fund was established to support government relations and ongoing advocacy efforts for special issues affecting the mortgage industry with government.

Asset replacement fund: This fund was established to prepare the Association for the replacement of capital assets.

6. Commitments:

The Association has entered into an operating lease arrangement for office space requiring the following minimum annual payments:

| | |
|------|------------|
| 2023 | \$ 57,564 |
| 2024 | 57,564 |
| 2025 | 57,564 |
| 2026 | 38,376 |
| | <hr/> |
| | \$ 211,068 |

The Association has agreed to indemnify the landlord against losses occurring on the leased premises which may arise out of a breach of the lease agreement.

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements (continued)

Year ended April 30, 2022

7. Financial instruments and risk management:

The investments held by the Association are exposed to a variety of financial risks. The Association seeks to minimize the potential adverse effects of these risks by regularly monitoring the position of the investments, market events and the diversifying of the investment portfolio within the constraints of the Association's investment policies. Significant risks that are relevant to the Association's investments are described below. There has been no change to the risk exposures from 2021.

(a) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Association. The interest bearing investments held by the Association have a limited exposure to interest rate risk due to their short-term maturity.

(b) Market risk:

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market exposes the Association to a risk of loss. The Association mitigates this risk through controls to monitor and limit concentration levels.

(c) Liquidity risk:

Investments in fixed income, pooled funds and equity securities are liquid and traded in the public market.

(d) Industry risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. The current challenging economic climate may lead to changes in cash flows and/or working capital levels, which may also have a direct impact on the Association's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association is not known at this time.

MORTGAGE PROFESSIONALS CANADA

Notes to Financial Statements (continued)

Year ended April 30, 2022

8. Government assistance:

During the year, the Association applied for and received government assistance under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs launched by the Canadian government in response to the COVID-19 pandemic outlined in note 7(d). The Association recorded revenue of \$139,298 (2021 - \$616,414) under the CEWS program, of which nil (2021 - \$74,280) is included in accounts receivable as at year end and recorded revenue of \$20,583 (2021 - \$38,255) under the CERS program, of which nil (2021 - \$11,757) is included in accounts receivable as at year end.

9. Related party transactions and balances:

During the year, the Association donated \$10,000 (2021 - nil) to Mortgage Professionals Canada Foundation (the "Foundation"), a related party by virtue of administration and back office functions performed by the Association on behalf of the Foundation. The donation was raised on behalf of the Foundation.

As at year end, included in accounts receivable is \$30,435 (2021 - nil) due from the Foundation for expenses paid for by the Association on behalf of the Foundation. The amounts are non-interest bearing with no specific terms of repayment.

10. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation adopted in the current year. The changes impacted the presentation of advertising and publications and interest and other income on the statement of operations. The changes do not affect prior year's excess of revenue over expenses.