

CONSULTATION PAPER ON THE 2021-2022 ANNUAL DUES









APPENDIX 1
RESULTS AND BUDGET FORECASTS

APPENDIX 2BOARD MEMBER COMPENSATION POLICY

APPENDIX 3
2019-2020 ANNUAL REPORT
[PDF]

RESOLUTION OF THE **BOARD OF DIRECTORS**

Excerpt from the minutes of the extraordinary Board of directors meeting held on June 22, 2020

Member consultation and approval of the 2021-2022 annual dues

Based on the facts presented, the Board of directors PASSED THE FOLLOWING RESOLUTION:

WHEREAS, in accordance with sections 85.1 and 103.1 of the *Professional Code*, the Board of directors shall, before setting the 2021-2022 annual dues for Order members, consult with members on this matter 30 days before and during the Annual General Meeting;

WHEREAS, the first consultation will be held between July 31 and September 10, 2020;

WHEREAS, the recommendation of the Audit committee.

On a motion duly seconded, <u>IT WAS UNANIMOUSLY CARRIED</u>:

<u>TO ADOPT</u> the attached draft resolution setting the annual member dues for the 2021-2022 fiscal year for member consultation purposes (item 2);

TO COMMUNICATE this draft resolution and the documents required under section 103.1 of the *Professional Code*, and TO CONSULT with members on the amount of the 2021-2022 annual dues.

BOD 2020/2021	900	ADOPTED
Draft resolution on the 2021-2022 annual dues for Order members		

WHEREAS the Audit committee and the Board of directors reviewed the 2021-2022 budget directions;

WHEREAS the Audit committee and the Board of directors obtained all the necessary explanations;

WHEREAS, in accordance with the *Professional Code*, the annual dues for the 2021-2022 fiscal year are set by the Order's Board of directors, following a consultation of members during the Annual General Meeting and after considering the comments received as part of the member consultation held at least 30 days before the meeting;

WHEREAS the Order's annual dues increase strategy is based on the Consumer Price Index (CPI);

WHEREAS the fund balance management policy was approved by the Board of directors on November 29, 2018;

WHEREAS it was determined that the level of the unrestricted fund balance should be within the range of 8% and 25% of total annual expenses, giving the Order the flexibility it needs to meet its current obligations, face unexpected circumstances and seize opportunities;

RESOLUTION OF THE BOARD OF DIRECTORS (CONT.)

WHEREAS, given the 2019-2020 surplus, the level of the unrestricted fund balance is within the target range;

WHEREAS the 2020-2021 revised budget and 2021-2022 budget forecasts, with no dues increase, make it possible to maintain the level of the unrestricted fund balance to annual expenses within the target range;

WHEREAS, given these considerations, no dues increase is recommended for the 2021-2022 fiscal year;

WHEREAS the Audit committee recommends a dues freeze for the different member categories for the 2021-2022 fiscal year;

WHEREAS the June 22, 2020 recommendation issued by the Board of directors.

On a motion duly seconded, IT WAS CARRIED:

TO MAINTAIN the dues for the 2021-2022 fiscal year at the 2020-2021 level for the different member categories:

"Member"	No increase, the annual dues remain at \$945
"Professor or lecturer"	No increase, the annual dues remain at \$472.50 (50% of the "member" dues)
"Retired member with no income"	No increase, the annual dues remain at \$141.75 (15% of the "member" dues)
"Semi-active member with income of less than \$25,000"	No increase, the annual dues remain at \$283.50 (30% of the "member" dues)

TO SET March 15, 2021 as the deadline for paying the annual dues for the 2021-2022 fiscal year.



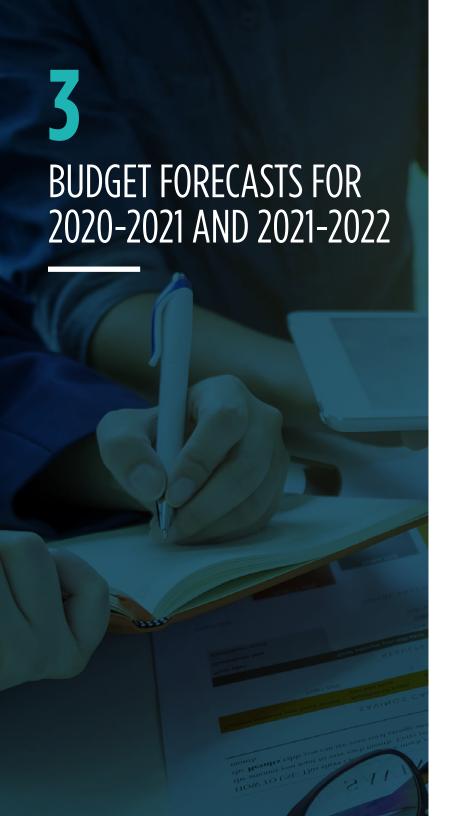
The Order has an adequate financial framework to carry out its mission to protect the public and its strategic plan. Whether direct or indirect, the expenses it incurs are all for purposes of protecting the public, with the Order always seeking to optimize the use of its resources.

The surplus generated at the end of the 2019-2020 fiscal year provides the flexibility the Order needs to meet its obligations, face unexpected circumstances and seize opportunities that arise. This surplus is attributable to project postponements, the organization's digital transformation and the cancellation of activities.

Note that the agreement on the Professional Education Program between CPA Canada and its provincial partners resulted in substantial savings over the last year. Under this agreement, at the end of each fiscal year, additional program savings or costs are redistributed to provincial partners. During the 2019-2020 fiscal year, many program-related projects had to be postponed, in particular because of the repercussions of the Securexam failures during the September 2019 Common Final Examination (CFE), hence the savings in qualification.

Moreover, continuing the trend seen in previous years, variable costs associated with professional development activities were lower than projected as a result of members' growing participation in e-learning activities and use of e-training materials.

Lastly, in March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic, which led to the implementation of emergency measures such as self-isolation and social distancing. The CPA Order adapted to the situation by continuing all of its operations remotely. Consequently, many events had to be cancelled, and all classroom training sessions were moved online.

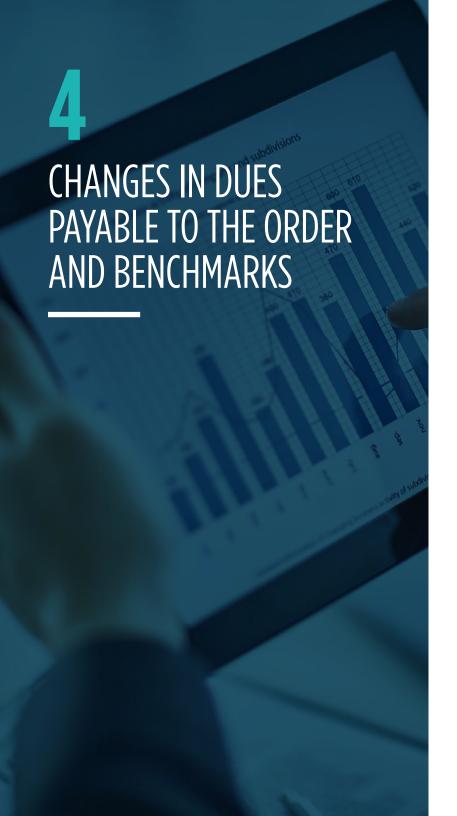


The fund balance management policy ensures that each of the funds is capitalized to meet their respective needs. Thus, under this policy, the unrestricted fund balance, comprised of the surplus generated from day-to-day operations and not restricted to any other fund, must be within a range of 8% to 25% of total annual expenses. This target was based on a comparative analysis of the range established by many large professional orders in Quebec and CPA bodies in other Canadian provinces. It enables the Order to maintain an adequate level of net assets to ensure the fund is responsibly and efficiently managed.

At the end of the 2019-2020 fiscal year, the surplus allowed the Order to maintain the unrestricted fund balance to total expenses ratio within the target range. The Order is therefore in a better position to face unexpected circumstances and deal with the economic uncertainty caused by COVID-19, which could lead to a loss of training activity income, offset in part by a decrease in related variable expenses. The 2020-2021 and 2021-2022 budget forecasts were reviewed to account for this uncertain context and its financial impact on Order activities.

Annual dues are by far the Order's largest revenue source. A demographic analysis by the actuarial firm Normandin Beaudry shows that the number of active members (membership excluding retired members) will stagnate in the years ahead. Under these conditions, since the Order cannot count on a growing membership, the only solution is to increase the annual dues. Accordingly, the Order developed a revenue growth strategy based on the Consumer Price Index to cover the normal increase in expenditures.

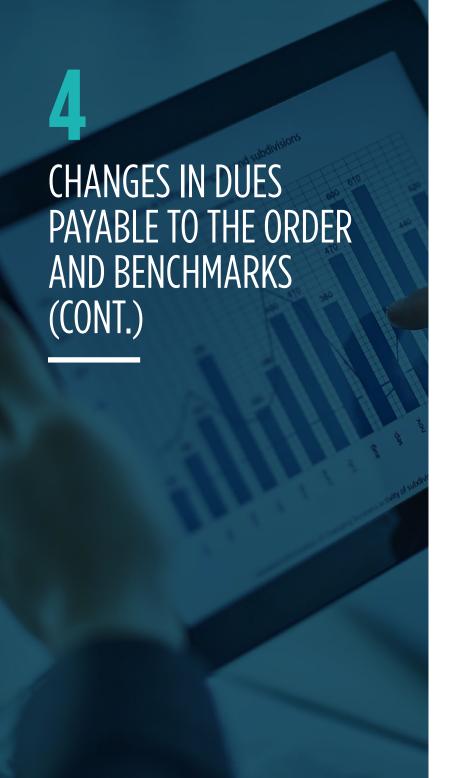
However, the results achieved during the 2019-2020 fiscal year, combined with the replenished unrestricted fund balance, will make it possible to cover the normal increase in expenditures and the planned investments in updating the professional development business model, accelerating the digital shift and enhancing the CPA Professional Education Program for future CPAs. For the second year in a row, the Order is therefore able to propose a dues freeze for 2021-2022, while maintaining the unrestricted fund balance at a level sufficient to achieve its budget and strategic objectives.



In 2012-2013, at the time of unification, the average dues for the three legacy orders were \$909. The first harmonized dues in 2013-2014 were set at \$840, i.e. \$69 less than the average. Since then, the dues have increased at almost the same rate as the CPI to now stand at \$945. Following the Board of directors' draft resolution, for the third year in a row, the dues would remain at \$945 for 2021-2022.

CHANGES IN ANNUAL DUES SINCE THE UNIFICATION OF THE PROFESSION





As shown in the tables below, Quebec CPA dues compare favourably with regular member dues of other large professional orders and CPA dues in other Canadian provinces.

REGULAR MEMBER DUES IN VARIOUS PROFESSIONAL ORDERS IN QUEBEC IN 2020-2021

Profession	Basic mandatory dues	Number of members rounded to nearest thousand as at March 31, 2019
Physicians	\$1,625	24,000
Notaries	\$1,537	4,000
Lawyers	\$1,513	28,000
Pharmacists	\$1,123	10,000
CPAs	\$945	40,000
Engineers	\$517	66,000
Nurses	\$371	76,000

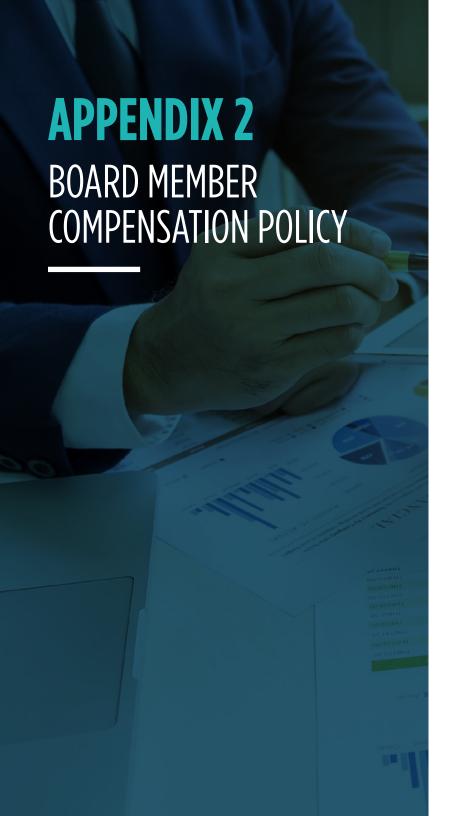
CPA DUES IN QUEBEC AND THE REST OF CANADA IN 2020-2021

Province	Dues - Regular member	Number of members rounded to nearest thousand as at March 31, 2019
Manitoba	\$1,015	8,000
Alberta	\$990	30,000
Ontario	\$980	93,000
British Columbia	\$950	37,000
Quebec	\$945	40,000



	Results* March 31, 2020	Budget forecasts March 31, 2021	Budget forecasts March 31, 2022
		General fund	
	\$000	\$000	\$000
REVENUES			
Annual dues	22,064	22,495	22,537
Guidance for the profession	15,310	11,860	13,431
Qualification	7,868	7,658	8,112
Outreach and visibility	2,098	1,843	2,148
	47,340	43,856	46,228
EXPENSES			
Governance	2,148	1,592	1,750
Guidance for the profession	17,629	16,445	17,549
Qualification	7,609	8,477	8,896
Public affairs, brand strategy and communications	3,856	3,496	3,951
Outreach and visibility	3,592	3,479	3,754
Operating expenses	11,699	11,625	12,406
	46,533	45,114	48,306
EXCESS OF REVENUES OVER EXPENSES (OF EXPENSES OVER REVENUES) BEFORE INVESTMENT INCOME	807	(1,258)	(2,078)
Interest revenues	409	251	251
Investment income	426	500	524
	835	751	775
EXCESS OF REVENUES OVER EXPENSES (OF EXPENSES OVER REVENUES)	1,642	(507)	(1,303)

^{*}From the audited financial statements in the 2019-2020 annual report.



The expenses in the "Governance" line presented in Appendix 1 include the compensation of members elected to the Board of directors, set in accordance with the board member compensation policy revised on June 11, 2020 and posted to the Order's website. Directors are compensated as follows:

	March 31, 2020	March 31, 2021	March 31, 2022
Allowance paid to the chair (40% of the Auditor General of Québec's salary)*	\$90,232	\$90,232	\$92,036
Allowance paid to the vice-chair (10% of the Auditor General of Québec's salary)*	\$22,558	\$22,558	\$23,009
In-person meetings			
Directors' fees - Half day	\$300/meeting	\$300/meeting	\$300/meeting
Directors' fees - Day	\$475/meeting	\$475/meeting	\$475/meeting
Directors' fees - Strategic planning meeting (1.25 days)	\$600/meeting	\$600/meeting	\$600/meeting
Remote meetings			
Directors' fees (before revision)	\$150/meeting	-	-
Directors' fees - Less than 1 hour	-	\$150/meeting	\$150/meeting
Directors' fees - More than 1 hour but less than 3 hours	-	\$300/meeting	\$300/meeting
Directors' fees - More than 3 hours	-	\$475/meeting	\$475/meeting

^{*}This allowance does not include applicable payroll taxes.