



Financial Statements

International Institute of Business Analysis

December 31, 2018

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Independent Auditor's Report

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To the Members of
[International Institute of Business Analysis](#)

Opinion

We have audited the financial statements of International Institute of Business Analysis, which comprise the statement of financial position as at December 31, 2018, and the statements of operations and 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 the organization as at December 31, 2018, 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 the organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 the organization'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 organization'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 the organization 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.

Grant Thornton LLP

Toronto, Canada
April 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

International Institute of Business Analysis

Statement of Financial Position

December 31

2018

2017

Assets

Current

| | | |
|---------------------|----------------|----------------|
| Cash | \$ 871,836 | \$ 1,884,573 |
| Short-term deposits | 3,299,239 | 2,991,743 |
| Accounts receivable | 668,844 | 634,654 |
| Prepaid expenses | <u>421,935</u> | <u>117,891</u> |

5,261,854 5,628,861

| | | |
|----------------------------|------------------|----------------|
| Equipment (Note 3) | 9,146 | 57,036 |
| Intangible assets (Note 4) | <u>1,034,788</u> | <u>523,176</u> |

\$ 6,305,788 \$ 6,209,073

Liabilities

Current

| | | |
|---|------------------|------------------|
| Accounts payable and accrued liabilities (Note 5) | \$ 884,220 | \$ 614,107 |
| Deferred revenue (Note 6) | <u>2,549,037</u> | <u>2,607,728</u> |

3,433,257 3,221,835

Net assets 2,872,531 2,987,238

\$ 6,305,788 \$ 6,209,073

On behalf of the board

Michelle Maritubo

Director

[Signature]
Director

International Institute of Business Analysis

Statements of Operations and Changes in Net Assets

| Year ended December 31 | 2018 | 2017 |
|--|---------------------|---------------------|
| Revenue | | |
| Membership fees | \$ 3,876,555 | \$ 3,611,050 |
| Certification fees | 2,283,332 | 1,759,828 |
| Endorsed education providers fees | 507,269 | 386,051 |
| Conferences | 360,701 | 370,717 |
| Publication sales | 330,058 | 481,680 |
| Foreign currency gain (loss) (Note 7(c)(i)) | 193,649 | (239,281) |
| Advertising and sponsorship | 69,863 | 96,434 |
| Investment income | 66,991 | 27,073 |
| Job posting fees | 23,664 | 25,181 |
| Grant income | 16,237 | - |
| Competency model | 15,272 | 47,543 |
| | 7,743,591 | 6,566,276 |
| Expenses | | |
| Wages and contractor fees | 4,542,263 | 4,192,755 |
| Information technology | 717,098 | 617,659 |
| Advertising and promotion | 478,191 | 388,018 |
| Travel | 408,058 | 546,624 |
| Certification expenses | 366,713 | 265,426 |
| Professional fees | 292,905 | 213,941 |
| Amortization | 290,919 | 264,606 |
| Bank charges and credit card fees | 165,231 | 154,112 |
| Books and publications | 185,930 | 217,682 |
| Miscellaneous | 78,916 | 109,454 |
| Chapter administration | 26,333 | 18,702 |
| Insurance | 35,424 | 34,083 |
| Research and impact study | - | 46,536 |
| | 7,587,981 | 7,069,598 |
| Excess (deficiency) of revenue over expenses before other items | 155,610 | (503,322) |
| Loss on disposal of tangible assets | (6,344) | - |
| Impairment loss on intangible assets (Note 4) | (264,958) | - |
| | (271,302) | - |
| Deficiency of revenue over expenses before income taxes recovery | (115,692) | (503,322) |
| Income taxes recovery | (985) | (4,811) |
| Deficiency of revenue over expenses | \$ (114,707) | \$ (498,511) |
| <hr/> | | |
| Net assets, beginning of year | \$ 2,987,238 | \$ 3,485,749 |
| Deficiency of revenue over expenses | (114,707) | (498,511) |
| Net assets, end of year | \$ 2,872,531 | \$ 2,987,238 |

See accompanying notes to the financial statements.

International Institute of Business Analysis

Statement of Cash Flows

Year ended December 31

2018

2017

Increase (decrease) in cash

Operating

| | | |
|---|--------------|--------------|
| Deficiency of revenue over expenses | \$ (114,707) | \$ (498,511) |
| Items not affecting cash | | |
| Amortization on equipment | 48,220 | 46,309 |
| Amortization on intangible assets | 242,699 | 218,297 |
| Loss on disposal of tangible assets | 6,344 | - |
| Impairment loss on intangible assets (Note 4) | 264,958 | - |

447,514 (233,905)

Change in non-cash working capital items

| | | |
|--|-----------|---------|
| Accounts receivable | (34,190) | 56,386 |
| Prepaid expenses | (304,044) | 2,915 |
| Accounts payable and accrued liabilities | 270,113 | 6,777 |
| Deferred revenue | (58,691) | 177,118 |

320,702 9,291

Investing

| | | |
|---|-------------|-----------|
| Proceeds from (purchase of) short-term deposits | (307,496) | 482,358 |
| Purchase of equipment | (6,674) | (7,169) |
| Development of intangible assets | (1,019,269) | (310,937) |

(1,333,439) 164,252

(Decrease) increase in cash

(1,012,737) 173,543

Cash

Beginning of year 1,884,573 1,711,030

End of year \$ 871,836 \$ 1,884,573

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

1. Nature of operations

International Institute of Business Analysis ("IIBA" or "Institute") was incorporated by Letters Patent under the Canada Corporations Act, on April 18, 2006, and on October 17, 2012 Industry Canada issued the Institute a Certificate of Continuance under the Canada Not-for-Profit Corporations Act (CNCA).

IIBA is a Canadian not-for-profit professional association whose main mission is to be the leading worldwide professional association that develops and maintains standards for the practice of business analysis and for the certification of practitioners.

2. Summary of significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

Chapters

As at December 31, 2018, there were 108 active and 4 pending chapters worldwide (2017 - 103 active and 17 pending chapters). While these chapters are affiliated with the Institute, control does not exist between the Institute and chapters. As a result their financial affairs are not consolidated with these financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Such estimates include the collectibility of accounts receivable, useful lives of equipment and intangible assets, deferred revenues and accrued liabilities. Actual results could differ from these estimates.

Financial instruments

The Institute's financial instruments consist of cash, short-term deposits, accounts receivable, and accounts payable.

The Institute initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in the excess of revenue over expenses.

Short-term deposits

Short-term deposits are comprised of guaranteed investment certificates with maturities of less than 12 months.

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Equipment

Equipment is carried at cost less accumulated amortization and is amortized over 3 years on a straight-line basis, which is considered sufficient to substantially amortize the cost of the assets over their estimated useful lives.

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

When equipment no longer contributes to the Institute's ability to provide services, its carrying amount is written down to its residual value.

Intangible assets

Intangible assets are recorded at cost, less accumulated amortization. The organization provides for amortization using the following methods at rates designed to amortize the cost of the intangible assets over their estimated useful lives. The annual amortization rates and methods are as follows:

| | |
|---------------------------------|----------------------------|
| Association management software | Straight-line over 3 years |
| Certification program | Straight-line over 3 years |
| Chapter websites | Straight-line over 3 years |
| Educational tools | Straight-line over 3 years |

Research and development costs are expensed, except in cases where development costs meet criteria for capitalization.

When an intangible asset no longer contributes to the Institute's ability to provide services, its carrying amount is written down to its residual value.

Revenue recognition

The Institute follows the deferral method of accounting for revenue whereby externally restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Membership fees are recognized as revenue proportionately over the fiscal year to which they relate. Endorsed education providers fees are recognized as revenue over the contract period. Certification fees are recognized when the respective examinations are conducted.

Grant income is recognized in the period during which the related expenses are incurred.

All other revenues are recognized in the period during which the services or goods are provided to the members or customers.

Monies received during the year which pertain to services in subsequent periods are recorded as deferred revenue.

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Donated services

The work of the Institute is dependent on the voluntary service of many members. The value of donated services is not recognized in these statements due to the difficulty in determining their fair value.

Foreign currency translation

Monetary assets and liabilities of the Institute which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates except for amortization which is translated at the same rates as the related asset. The resulting foreign currency gains or losses are included in the statement of operations.

Income taxes

The Institute is subject to U.S. Federal and State taxes on its advertising, job posting fees, and certain sponsorship revenue earned in the U.S.

For U.S. income taxes, the Institute uses the income taxes payable method of accounting for income taxes. Under this method, the Institute reports as an expense (recovery) of the year only the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

The Institute is not subject to either federal or provincial income taxes in Canada, because of its status as a not-for-profit organization, as defined in Section 149(1)(l) of the Income Tax Act (Canada).

3. Equipment

| | | | <u>2018</u> | <u>2017</u> |
|-----------|-------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Equipment | \$ 143,238 | \$ 134,092 | \$ 9,146 | \$ 57,036 |

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

4. Intangible assets

| | | | <u>2018</u> | <u>2017</u> |
|------------------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Website development | \$ 477,950 | \$ 13,277 | \$ 464,673 | \$ - |
| Association management software | 882,190 | 432,857 | 449,333 | 161,725 |
| Certification program | 225,345 | 153,194 | 72,151 | 68,176 |
| Chapter websites | 57,313 | 57,313 | - | - |
| Educational tools | 189,406 | 140,775 | 48,631 | 293,275 |
| | <u>\$ 1,832,204</u> | <u>\$ 797,416</u> | <u>\$ 1,034,788</u> | <u>\$ 523,176</u> |

As at December 31, 2017, the net book value of education tools included \$264,958 of costs relating to the Enterprise Business Analysis Capability program which was in development. During the year, management determined that this program would not be completed as originally contemplated, and the carrying amount was written down to its residual value of \$Nil.

Included in certification program are costs of \$33,814 for projects in progress at year end and, as such, are not being amortized.

5. Accounts payable and accrued liabilities

| | <u>2018</u> | <u>2017</u> |
|-----------------------------|-------------------|-------------------|
| Trade payables and accruals | \$ 860,537 | \$ 489,421 |
| Accrued wages | 23,683 | 124,686 |
| | <u>\$ 884,220</u> | <u>\$ 614,107</u> |

6. Deferred revenue

Deferred revenue relates to membership, endorsed education providers, certification, advertising and sponsorship fees, and grant income received in the current period that relate to subsequent periods. The deferred revenue balance comprise the following:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Membership fees (individual and corporate) | \$ 2,010,837 | \$ 1,955,668 |
| Certification fees | 291,767 | 388,958 |
| Endorsed education providers fees | 215,623 | 263,102 |
| Grant income | 20,904 | - |
| Advertising and sponsorship | 9,906 | - |
| | <u>\$ 2,549,037</u> | <u>\$ 2,607,728</u> |

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

7. Financial instruments

The financial instruments of the Institute and the nature of the risks to which it may be subject are as follows:

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with an organization. The Institute's exposure to credit risk relates to accounts receivable (2018 - \$668,844; 2017 - \$634,654). The Institute does not believe it is subject to any significant concentration of customer credit risk as accounts receivable are generally the result of fees billed to a large number of customers and members. As at December 31, 2018, the allowance for doubtful accounts is \$6,000 (2017 - \$6,000).

(b) Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in realizing its assets and meeting the obligations associated with its financial liabilities. The Institute is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. Liquidity risk is not considered to be significant based on the Institute's strong working capital position.

(c) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to currency risk and interest rate risk.

(i) Currency risk

Currency risk is the risk to the Institute that arises from fluctuations in foreign exchange rates. The Institute derives all revenues and incurs approximately 39% (2017 - 29%) of the total expenses in US dollars. Consequently, some assets and liabilities are exposed to foreign currency fluctuations and they are as follows:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Cash | \$ 342,789 | \$ 1,539,526 |
| Short-term deposits | 1,329,211 | 1,523,333 |
| Accounts receivable | 478,204 | 611,242 |
| Prepaid expenses | 254,941 | - |
| Accounts payable and accrued liabilities | <u>(361,773)</u> | <u>(239,728)</u> |
| | <u>\$ 2,043,372</u> | <u>\$ 3,434,373</u> |

International Institute of Business Analysis

Notes to the Financial Statements

December 31, 2018

7. Financial instruments (continued)

These balances are therefore subject to gains or losses due to fluctuation in the value of the US dollar. Net foreign exchange gains recorded in the statement of operations are as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|-------------------|---------------------|
| Translation loss | \$ (30,509) | \$ (30,139) |
| Transaction gain (loss) | <u>224,158</u> | <u>(209,142)</u> |
| | <u>\$ 193,649</u> | <u>\$ (239,281)</u> |

(ii) Interest rate risk

Interest rate price risk is the risk that the fair value of a fixed interest bearing financial instrument will fluctuate due to changes in market interest rates. Interest rate cash flow risk is the risk that the cash flows of the Institute will fluctuate due to changes in market interest rates on variable interest bearing financial instruments. The Institute is exposed to interest rate price risk on its short-term deposits.

8. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.

9. Related party transactions

During the year, the Institute purchased services from two companies of which Board members are employees for \$86,012 (2017 - \$81,401). These purchases were made in the normal course of operations, in compliance with the Institute's procurement policies, and are measured at the exchange amount.