

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Audited Financial Statements

Year Ended June 30, 2021

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

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Year Ended June 30, 2021

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Independent auditor's report

To the Members of Canadian Centre for Professional Legal Education

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Centre for Professional Legal Education (the Entity) as at June 30, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at June 30, 2021;
- the statement of operations and changes in net surplus/(deficiency) for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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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.

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 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 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 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.



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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
September 28, 2021

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Statement of Financial Position

June 30, 2021

	2021	2020
	\$	\$
ASSETS		
CURRENT		
Cash	3,508,704	1,416,656
Accounts receivable	1,200,797	590,836
Prepaid expenses	24,418	79,906
Capital assets	62,563	-
	<u>4,796,482</u>	<u>2,087,398</u>
CPLED PREP PROGRAM (Note 3)	<u>2,962,995</u>	<u>3,291,357</u>
	<u><u>7,759,477</u></u>	<u><u>5,378,755</u></u>
LIABILITIES		
CURRENT		
Deferred revenue	2,826,932	2,254,124
Current portion of debt	386,895	386,247
Accounts payable and accrued liabilities	901,231	186,894
	<u>4,115,058</u>	<u>2,827,265</u>
LONG-TERM DEBT (Note 4)	<u>2,515,171</u>	<u>2,746,563</u>
	6,630,229	5,573,828
NET SURPLUS		
UNRESTRICTED	<u>1,129,248</u>	<u>(195,073)</u>
	<u><u>7,759,477</u></u>	<u><u>5,378,755</u></u>

COMMITMENT (Note 4)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

The accompanying notes are an integral part of the financial statements.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION
Statement of Operations and Changes in Net Surplus/(Deficiency)
Year Ended June 30, 2021

	2021 \$	2020 \$
REVENUE		
Student Tuition	3,041,495	-
Law Society of Alberta	1,841,400	225,145
Law Society of Manitoba	302,250	53,392
Law Society of Saskatchewan	196,950	52,252
Nova Scotia Barristers' Society	266,582	27,170
Legal Research and Writing	19,500	-
Other Income	1,600	-
	<u>5,669,777</u>	<u>357,959</u>
EXPENSES		
PROGRAM DELIVERY		
Contractors	1,477,947	-
Delivery platform license, hosting, and support	290,900	129,572
Technical outsourcing	104,833	28,560
Managed Services	40,796	-
Legal Research and Writing	5,823	-
OPERATIONS		
Salary and benefits	1,602,528	137,801
Management fee	347,200	152,249
Amortization	379,084	-
Office and miscellaneous	83,546	47,644
Professional fees	22,070	14,269
Travel and meals	1,171	18,368
Special projects	-	3,961
	<u>4,355,898</u>	<u>532,424</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	1,313,879	(174,465)
OTHER ITEMS:		
Interest Income	10,442	6,780
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	1,324,321	(167,685)
DEFICIENCY, BEGINNING OF YEAR	(195,073)	(27,388)
SURPLUS (DEFICIENCY) END OF YEAR	1,129,248	(195,073)

The accompanying notes are an integral part of the financial statements.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Statement of Cash Flows

Year Ended June 30, 2021

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expenses	1,324,321	(167,685)
Changes in non-cash working capital:		
Prepaid expenses	55,488	(28,308)
Accounts receivable	(609,961)	(543,706)
Accounts payable and accrued liabilities	714,338	(36,295)
Amortization	379,084	-
Deferred revenue	572,808	2,254,124
	<u>1,111,757</u>	<u>1,645,815</u>
	<u>2,436,078</u>	<u>1,478,130</u>
INVESTING ACTIVITY		
Purchase of CPLED PREP and capital assets	(113,285)	(1,825,753)
FINANCING ACTIVITY		
(Repayment of) Proceeds from long-term financing	(230,744)	1,335,860
INCREASE (DECREASE) IN CASH	2,092,048	988,237
CASH - Beginning of year	<u>1,416,656</u>	<u>428,419</u>
CASH - End of year	<u>3,508,704</u>	<u>1,416,656</u>

Interest received	10,442	6,780
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Non-Cash Transactions

In the prior year, interest was accrued on long-term debt and capitalized to intangibles in the amount of \$106,389. As these transactions were non-cash in nature, they have been excluded from the statement of cash flows.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Notes to Financial Statements

Year Ended June 30, 2021

1. GENERAL

Canadian Centre for Professional Legal Education ("CPLED") is a society incorporated on March 26, 2004 under the Societies Act of the Province of Alberta. CPLED provides educational and assessment services for the bar admissions course for the Law Society of Alberta, Law Society of Saskatchewan, Law Society of Manitoba, and the Nova Scotia Barristers' Society. The Organization is a not-for-profit entity and accordingly is exempt from income taxes under Section 149(1)(l) of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CPLED are prepared in accordance with Canadian Accounting Standards for not for profit organizations ("ASNPO"). The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Cash and cash equivalents

Cash consists of cash on hand and bank deposits.

Capital assets

Capital assets are recorded at cost net of accumulated amortization. Amortization is calculated on a straight-line basis at the following annual rates:

Computer	20%
PREP Course development (Foundation Workshop materials)	33-1/3%
PREP Course development (Foundation Modules materials)	20%

The costs of preparing the CPLED Practice Readiness Education Program ("PREP") program are capitalized over 10 years. Capitalization of program development costs began in the current fiscal year upon the program becoming available for use.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the discounted future net cash flows the program is expected to generate. When a fair value is determined to be less than the carrying value, the resulting impairment is reported in the statement of income and retained earnings. An impairment loss is not reversed if fair value subsequently increases.

Interest capitalization

In prior years CPLED capitalized interest costs on the long-term debt related to the development of CPLED PREP. Now that the program is live and available for use, interest is recorded as an expense.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Notes to Financial Statements

Year Ended June 30, 2021

Financial instruments policy

CPLED initially measures its financial assets and liabilities at fair value. CPLED subsequently measures all financial assets and financial liabilities at amortized cost.

Financial asset subsequently measured at amortized cost include cash and cash equivalents, and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Revenue recognition and deferred revenue

CPLED receives revenue from affiliate law societies for the provision of legal education services to their students.

CPLED recognizes revenue based on the deferral method for revenue recognition. Law Society subsidies are received and recognized as the program modules are delivered.

CPLED also receives revenue from students and follows the deferral method for revenue recognition. Student fees are received and are recognized as the program modules are delivered starting in the 2021 fiscal year.

Use of estimates

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

Donated services

A portion of CPLED's work is dependent on the service of many volunteers, particularly the significant contribution of the Board and committees of the Board. These services are not normally purchased by CPLED. Due to the difficulty in determining their fair value, donated services are not recognized in these financial statements.

3. CPLED PREP PROGRAM

	<u>2021</u>	<u>2020</u>
CPLED PREP Program Development	\$2,962,995	\$3,291,357

During the year, CPLED capitalized \$37,021 (2020 - \$1,931,963) related to the development of the CPLED PREP program. The CPLED PREP program is a new learning platform CPLED developed for its students. The costs consisted of module development, platform development and testing, learning platform support, competency framework, gap analysis, and staffing costs related to the project.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Notes to Financial Statements

Year Ended June 30, 2021

4. LONG-TERM DEBT

Long-term debt relates to the financial support received from the Law Society of Alberta, Law Society of Saskatchewan, and Law Society of Manitoba. The financial support is intended to cover the start-up costs related to the implementation of the new CPLED PREP program. CPLED received \$3,000,000 in total over three fiscal periods; \$1,800,000 from the Law Society of Alberta, \$600,000 from the Law Society of Saskatchewan, and \$600,000 from the Law Society of Manitoba. Repayment began in the current fiscal period in the amount of \$236,000 (2020 - \$) and is due in annual equal instalments until June 30, 2030 at which point the full amount of principal and interest remaining will be paid. In 2021 the Law Societies waived the interest portion (\$120,000) of the repayment for one year only.

	<u>2021</u>	<u>2020</u>
Law Society of Alberta loan bearing interest at 4% and will be repaid over a ten year period starting in 2021.		
- Principal	\$ 1,658,400	\$ 1,800,000
- Interest	86,395	83,106
Law Society of Saskatchewan loan bearing interest at 4% and will be repaid over a ten year period starting in 2021.		
- Principal	552,800	600,000
- Interest	26,150	25,154
Law Society of Manitoba loan bearing interest at 4% and will be repaid over a ten year period starting in 2021.		
- Principal	552,800	600,000
- Interest	25,521	24,550
	<u>\$ 2,902,066</u>	<u>\$ 3,132,810</u>

Total financial support received for the CPLED PREP project is \$3,132,810. Total accrued interest on the loan is \$138,066. In the prior year \$106,839 of interest was accrued which was capitalized to the CPLED PREP Program.

5. FINANCIAL INSTRUMENTS

CPLED is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the balance sheet date.

Credit risk

CPLED is not exposed to significant credit risk on any of its financial assets. CPLED manages credit risk by maintaining bank accounts with a reputable financial institution. Accounts receivable are from law students enrolled in the PREP program as well as subsidies due from affiliated law societies.

CANADIAN CENTRE FOR PROFESSIONAL LEGAL EDUCATION

Notes to Financial Statements

Year Ended June 30, 2021

Financial risk

Market disruptions associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect the financial instruments risks associated with CPLED.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk as further described below.

Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the reporting currency of CPLED will fluctuate due to changes in foreign exchange rates. CPLED does not hold any foreign cash, accounts receivable or accounts payable and is not exposed to foreign currency exchange risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. CPLED is exposed to interest rate risk to the extent of the fixed rate interest on its financial support for CPLED PREP described in Note 3.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. CPLED is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that CPLED will encounter difficulty in meeting obligations associated with financial liabilities. CPLED is not exposed to significant liquidity risk.

6. RELATED PARTIES

CPLED's Board members include representatives from the Law Societies of Alberta, Saskatchewan, Manitoba, and Nova Scotia. The Law Societies may at times be engaged by CPLED in the normal course of business.

During the year, CPLED paid the Law Society of Alberta \$347,200 (2020 – \$156,000) for management fees, and the Law Society of Saskatchewan and the Law Society of Manitoba \$59,224 (2020 - \$Nil) for PREP program support.