

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Independent Auditors' Report
Statement of Financial Position
Statement of Revenue and Expenses
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Directors of:
Canadian Owners and Pilots Association

Qualified Opinion

We have audited the financial statements of Canadian Owners and Pilots Association, which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Owners and Pilots Association as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

Deferred memberships are recorded based on management's estimate regarding the unexpired portions of memberships as of December 31, 2019. This estimate was prepared on the basis of total memberships issued during the year and prorated based on the month the membership was issued. Due to information not being available from the membership database as to the start and end dates of individual memberships, our verification was limited to the timing of cash received. As such, we were unable to conclude whether an adjustment to deferred memberships and membership revenue would be necessary to accurately account for unexpired memberships issued as of December 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 qualified audit 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 relating 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 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 these financial statements. As part of an audit in accordance with Canadian generally accepted audit 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 controls.
- 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.

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.



Frouin Group Professional Corporation
Ottawa, ON
April 15, 2020

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

FROUIN
GROUP

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 168,801	\$ 42,969
Short-term investments (Note 5)	155,019	136,858
Accounts receivable	98,464	98,906
Government rebates	9,526	48,287
Due from COPA Special Action Fund Inc. (Note 7)	0	58,515
Due from COPA Flight Safety Foundation (Note 7)	68,112	29,039
Inventory (Note 2f)	27,424	17,843
Prepaid expenses	<u>118,544</u>	<u>107,656</u>
	645,890	540,073
LONG-TERM INVESTMENTS (Note 5)	1,520,515	1,414,634
PROPERTY AND EQUIPMENT (Notes 2b and 4)	<u>65,618</u>	<u>94,844</u>
TOTAL ASSETS	<u>\$ 2,232,023</u>	<u>\$ 2,049,551</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 36,245	\$ 94,800
Due to COPA Flight Safety Foundation (Note 7)	21,395	0
Deferred memberships (Note 2c)	801,205	628,690
Deferred IAOPA revenue	21,635	0
Deferred lease inducement	<u>20,344</u>	<u>24,219</u>
	<u>900,824</u>	<u>747,709</u>
NET ASSETS		
Internally-restricted to general reserve	1,500,000	1,500,000
Invested in capital assets	65,618	94,844
Unrestricted	<u>(234,419)</u>	<u>(293,002)</u>
	<u>1,331,199</u>	<u>1,301,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,232,023</u>	<u>\$ 2,049,551</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
REVENUES		
Memberships	\$ 795,574	\$ 799,296
Safety promotion support	298,579	258,067
Membership programs	139,078	126,467
COPA collection	21,047	6,330
Management fees	31,952	34,592
COPA convention	79,187	53,055
Bequest	24,041	50,000
	<u>1,389,458</u>	<u>1,327,807</u>
EXPENSES		
Salaries and benefits	430,524	442,870
Publishing	163,431	164,096
Bad debt expense (recovery)	0	(616)
Office rent	54,411	57,816
Travel	62,970	62,006
Meeting and directors' expenses	44,976	114,518
Insurance	38,095	35,896
Office	135,998	125,715
Bank and service fees	44,422	41,089
Promotion	124,671	208,233
Projects	1,055	31,371
Professional fees	257,190	241,589
Membership	74,272	40,399
Amortization of capital assets (Note 2b)	7,171	7,931
Convention expenses	143,348	54,312
	<u>1,582,534</u>	<u>1,627,225</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES FROM OPERATIONS	(193,076)	(299,418)
Investment income (loss)	<u>222,433</u>	<u>(27,256)</u>
NET EXCESS (DEFICIT)	\$ <u>29,357</u>	\$ <u>(326,674)</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET ASSETS INTERNALLY-RESTRICTED TO GENERAL RESERVE		
Balance - beginning of year	\$1,500,000	\$1,700,000
Transfer to unrestricted net assets	<u>0</u>	<u>(200,000)</u>
Balance - end of year	<u>\$1,500,000</u>	<u>\$1,500,000</u>
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance - beginning of year	\$ 94,844	\$ 63,152
Purchase of capital assets, net of disposals	(22,055)	39,623
Amortization	<u>(7,171)</u>	<u>(7,931)</u>
Balance - end of year	<u>\$ 65,618</u>	<u>\$ 94,844</u>
UNRESTRICTED NET ASSETS		
Balance - beginning of year	\$ (293,002)	\$ (134,636)
Transfer from net assets internally-restricted to general reserve	0	200,000
Excess (deficit) of revenue over expenses for the year	29,357	(326,674)
Purchase of capital assets, net of disposals	22,055	(39,623)
Amortization	<u>7,171</u>	<u>7,931</u>
Balance - end of year	<u>\$ (234,419)</u>	<u>\$ (293,002)</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses for the year	\$ 29,357	\$ (326,674)
Add: Amortization	<u>7,171</u>	<u>7,931</u>
	36,528	(318,743)
Net change in non-cash working capital		
Accounts receivable	441	(27,215)
Due from COPA Special Action Fund	79,910	(34,748)
Due from COPA Flight Safety Foundation	(39,073)	(30,312)
Prepaid expenses	(10,887)	(81,166)
Inventory	(9,582)	(17,843)
Accounts payable and accrued liabilities	(19,793)	15,711
Deferred revenue	<u>190,275</u>	<u>(73,758)</u>
	<u>227,819</u>	<u>(568,074)</u>
INVESTING ACTIVITIES		
Net (purchase)/disposal of capital assets	22,055	(39,622)
Net (purchases)/sales of investments	<u>(124,042)</u>	<u>552,874</u>
	<u>(101,987)</u>	<u>513,252</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	125,832	(54,822)
CASH, beginning of year	<u>42,969</u>	<u>97,791</u>
CASH, end of year	<u>\$ 168,801</u>	<u>\$ 42,969</u>
REPRESENTED BY:		
Cash	<u>\$ 168,801</u>	<u>\$ 42,969</u>

(See accompanying Notes to Financial Statements)

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. PURPOSE OF THE ORGANIZATION

The Canadian Owners and Pilots Association is engaged in the promotion of flight safety through education and workshops and raises awareness of important issues facing the flying community. Funds are primarily generated through membership fees which include a portion attributable to a subscription to the COPA Flight newspaper. The Association was incorporated under the Canada Corporations Act as a not-for-profit organization and, as such, is exempt from income tax.

These financial statements do not include the accounts of the COPA Flight Safety Foundation and the COPA Special Action Fund Inc. as detailed in note 7.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from those estimates.

b) Capital Assets

Capital assets are recorded at cost. Amortization is provided on the straight-line basis over the assets' estimated useful lives as follows:

Furniture and fixtures	10 years
Computer equipment	3 years
Leasehold improvements	87 months

c) Revenue recognition

The Association follows the deferral method of accounting for revenue. Membership revenue is recognized on a pro-rata basis over the full term of the membership. Deferred membership revenue represents the unexpired portion of memberships received. Publishing revenue is derived from inserts, classified and display advertisements - revenue is recognized when advertisements are published in COPA publications. Revenue from COPA Collection sales are recognized when the goods are delivered. Registration and sponsorship revenue from events is recognized when the event occurs.

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investments

Investments are measured at fair value at each reporting date, with gains and losses recognized in the statement of revenues and expenses as part of investment income.

e) Net assets internally-restricted as reserves

The general reserve was established by the Board to cover general operating expenses for one year.

f) Inventory

Inventory is comprised of articles for resale and promotion. It is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, short-term investments, accounts receivable, due from COPA Special Action Fund Inc., due from COPA Flight Safety Foundation and accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. Long-term investments are carried at fair value. It is management's opinion that COPA is not exposed to significant interest or currency risks arising from these financial instruments.

The Association is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Association's maximum exposure to credit risk represents the sum of the carrying value of its cash, short and long term investments, accounts receivable, due from COPA Special Action Fund Inc., and due from COPA Flight Safety Foundation. The Association's cash is deposited with a Canadian chartered bank and a major investment broker, and as a result management believes the risk of loss on this item is remote. Management reduces the credit risk attributable to its short term investments by investing in conservative investments. Management believes that most of its accounts receivable at year-end will be collected and, consistent to previous years, has established an allowance for doubtful accounts. Amounts due from COPA Special Action Fund Inc. and due from COPA Flight Safety Foundation are not expected to be a collection problem since they are related parties.

CANADIAN OWNERS AND PILOTS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Furniture and fixtures	\$ 50,489	\$ (42,802)	\$ 7,687	\$ 9,154
Computer equipment	249,241	(194,272)	54,969	82,032
Leasehold improvements	<u>5,051</u>	<u>(2,089)</u>	<u>2,962</u>	<u>3,658</u>
TOTAL	<u>\$ 304,781</u>	<u>\$ (239,163)</u>	<u>\$ 65,618</u>	<u>\$ 94,844</u>

5. INVESTMENTS

	Initial Cost	Maturity Date	Yield	2019 Fair Value	2018 Fair Value
Short-term investments					
Province of BC	147,762	18-12-19	4.100%	\$ 0	\$ 136,858
Province of Ontario	173,181	02-06-20	4.200%	<u>155,019</u>	<u>0</u>
				<u>155,019</u>	<u>136,858</u>
Long-term investments					
PIMCO Monthly Income Fund	51,486	N/A	N/A	51,333	40,348
Industrial Alliance	51,457	23-02-27	2.640%	51,993	51,043
NBI Canadian Diversified Bond	250,947	N/A	N/A	250,338	0
NBI Intl High Conviction Equity	80,718	N/A	N/A	87,535	0
RBC High Yield Bond	65,515	N/A	N/A	65,406	58,323
BMO INTL Dividend ETF	94,341	N/A	N/A	86,455	92,276
BMO US Dividend ETF	178,465	N/A	N/A	195,308	174,018
Horizons Active Cdn Div ETF	149,033	N/A	N/A	174,181	152,434
Ishares Core S&P 500 ETF	141,846	N/A	N/A	195,465	169,814
Ishares Core S&P/TSX ETF	160,669	N/A	N/A	174,717	146,768
NBC Auto Callable Contingent	250,947	N/A	N/A	73,537	67,616
MBAF Trust SRS-FF	70,000	N/A	N/A	70,000	91,266
BMO Equal Weight REITS Index	36,458	N/A	N/A	44,247	48,617
NBC Auto Callable Contingent	64,684	N/A	N/A	0	68,814
Province of Ontario	173,181	02-06-20	4.200%	0	158,091
NBI Preferred Equity Income	93,207	N/A	N/A	0	95,206
				<u>1,520,515</u>	<u>1,414,634</u>
				<u>\$1,675,534</u>	<u>\$1,551,492</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. COMMITMENTS

The Association has leased office space at an annual rate of rent of approximately \$28,631 per year plus HST and operating costs, estimated at \$37,928 for 2020, effective until March 31, 2025.

The Association has entered into a four year Professional Services Agreement with Canadian Aviator Publishing Ltd. effective July 1, 2016 to assist with the editing and design of COPA Flight magazine. This agreement requires the Association to issue payments totaling \$152,500 plus HST per year.

The Association has entered into a conference space contract with the Fairmont Queen Elizabeth for accommodations and meals relating to the 2020 IAOPA Conference. In the situation that the event is cancelled, the Association would be liable to pay a cancellation fee of \$122,300.

The Association has entered into a contract with OPC for organizing several events for the 2020 IAOPA conference. In the situation the event is cancelled, the Association would forgo the initial deposit paid of \$15,063 plus HST.

The Association has entered into a contract with Le Bateau Mouche for accommodations and meals relating to the 2020 IAOPA conference. In the situation the event is cancelled, the Association would forgo all deposits paid, totaling \$10,762.

The Association has entered into various contracts and leases for office equipment. The approximate annual payments for these contracts is as follows:

2020	\$ 10,919
2021	\$ 3,733

The Association has entered into a contract with LudoStudio with the purpose of redesigning the website and to provide ongoing support. Total annual payments as a result of this ongoing contract are \$2,495 plus HST, with an additional \$6,495 plus HST becoming payable once the COPA store is online.

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

7. RELATED PARTIES

The Canadian Owners and Pilots Association (COPA) controls the following not-for-profit organizations. In each case, membership in the organization is limited to the directors of COPA and the directors of the controlled organization must be either officers or members of the Executive Committee of COPA. These organizations have not been consolidated in COPA's financial statements, but financial statements for each of the controlled organizations are available upon request.

(a) COPA Flight Safety Foundation (the Foundation) is an organization incorporated under the laws of Canada without share capital. It is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors. The Foundation solicits donations and other funding to promote flight safety by way of an annual safety bulletin publication. The Neil Armstrong Scholarship Fund is a fund maintained within the Foundation to provide annual flight training annuities to qualified scholarship applicants.

(b) COPA Special Action Fund (the Fund) is an organization incorporated under the laws of Canada without share capital. It is empowered to solicit contributions to be used at the discretion of the Board of Directors to pay legal and other professional fees and expenses in connection with contemplated actions and public relations campaigns as a means to influence and convince all levels of government and their agencies to provide more appropriate and sound aeronautical legislation and regulation.

COPA Flight Safety Foundation	2019	2018
Total Assets	\$ <u>188,945</u>	\$ <u>209,758</u>
Total liabilities	\$ 78,520	\$ 36,539
Fund balances	<u>110,425</u>	<u>173,219</u>
Total liabilities and fund balances	\$ <u>188,945</u>	\$ <u>209,758</u>
Total revenue	\$ 101,063	\$ 17,966
Total expenses	<u>163,858</u>	<u>41,960</u>
Excess of expenses over revenue for the year	\$ <u>(62,795)</u>	\$ <u>(23,994)</u>
Cash provided (used) by operating activities	\$ (3,722)	\$ (6,182)
Cash provided (used) in investing activities	<u>15,205</u>	<u>6,258</u>
Net change in cash during the year	\$ <u>11,483</u>	\$ <u>76</u>
Due (to) / from COPA	\$ <u>(68,112)</u>	\$ <u>(29,039)</u>
Administration fees paid to COPA	\$ <u>1,466</u>	\$ <u>2,267</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

7. RELATED PARTIES (CONTINUED)

COPA Special Action Fund Inc. operating as "Freedom to Fly Fund"	2019	2018
Total assets	\$ <u>742,882</u>	\$ <u>751,301</u>
Total liabilities	\$ 0	\$ 58,515
Internally-restricted net assets	10,000	10,000
Unrestricted net assets	<u>732,882</u>	<u>682,786</u>
Total liabilities and net assets	\$ <u>742,882</u>	\$ <u>751,301</u>
Total revenue	\$ 134,437	\$ 25,027
Total expenses	<u>84,341</u>	<u>167,141</u>
Excess of expenses over revenue	\$ <u>50,096</u>	\$ <u>(142,114)</u>
Cash used in operating activities	\$ 69,375	\$ (102,678)
Cash used in investing activities	<u>(44,315)</u>	<u>148,878</u>
Net increase in cash during the year	\$ <u>25,060</u>	\$ <u>46,200</u>
Due (to) / from COPA	\$ <u>21,395</u>	\$ <u>(58,515)</u>
Administration fees paid to COPA	\$ <u>8,490</u>	\$ <u>9,703</u>

CANADIAN OWNERS AND PILOTS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

8. FINANCIAL RISK MANAGEMENT POLICY

Canadian Owners and Pilots Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2019:

a) Credit risk

Credit risk associated with their investments is minimized by investing these assets in fixed income investments and widely-traded equities and fixed income funds. An ongoing review is performed to evaluate changes in the status of investments under the Association's investment policy.

b) Currency risk

The Association's functional currency is the Canadian dollar. The Association does not enter into foreign currency transactions and does not use foreign exchange forward contracts.

c) Liquidity risk

The Association manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

d) Interest rate risk

The Association is exposed to interest rate risk with regards to its cash and short-term and long-term investments. The Association has no interest-bearing liability. Fluctuations in market rates of interest on cash do not have a significant impact on the Association's results of operations. Fixed income investments have a low interest rate risk due to their short-term nature. Therefore, this risk does not have a significant impact.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.

10. SUBSEQUENT EVENT

In response to the COVID-19 outbreak in 2020, the Association is taking precautionary measures to help contain the spread of the virus. As a result, the Association has made the decision to postpone the 2020 Convention and Tradeshow as well as the 2020 IAOPA event, both of which have been moved to 2021. No cancellation fees are to be incurred as a result of these postponements. A portion of the venue deposits will be returned, with the remainder to be carried forward for the future events. The majority of registrations received for these events are being deferred to next year's events.