



• CELEBRATING
• 5 YEARS

2019 - 2020

Annual Report



Independent Auditors' Report

To the Members of
Chartered Professional Accountants of Manitoba

Opinion

We have audited the financial statements of the Chartered Professional Accountants of Manitoba (CPA Manitoba), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, 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 CPA Manitoba as at March 31, 2020, 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 report. We are independent of CPA Manitoba 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.

Other Information

Management is responsible for the other information. The other information comprises CPA Manitoba's annual report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Auditors' Report

The annual report is expected to be made available to us after the date of the auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 CPA Manitoba'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 CPA Manitoba or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CPA Manitoba'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 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 CPA Manitoba's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Report

- ♦ 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 CPA Manitoba'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 CPA Manitoba 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.

Booke & Partners

Winnipeg, Canada
June 4, 2020

Chartered Professional Accountants

Financial Statements

Chartered Professional Accountants of Manitoba

(Incorporated by *The Chartered Professional Accountants Act of Manitoba*)

Statement of Financial Position

March 31

2020

2019
(Note 12)

Assets

Current

Cash	\$ 2,207,088	\$ 4,517,466
Short-term investments (Note 4)	-	138,480
Accounts receivable (Note 3)	171,155	108,822
Prepays	159,763	98,428
Due from related parties (Note 10)	1,762,331	1,563,259

4,300,337

6,426,455

Long-term investments (Note 4)

4,831,167

4,904,153

Capital assets (Note 5)

1,142,197

1,227,671

\$ 10,273,701

\$ 12,558,279

Liabilities

Current

Accounts payable and accruals (Note 6)	\$ 740,517	\$ 1,262,549
Unearned fees (Note 7)	3,224,900	4,140,337
Due to related party (Note 10)	55,398	-

4,020,815

5,402,886

Deferred lease inducement (Note 9)

455,516

507,574

4,476,331

5,910,460

Net Assets

Invested in capital assets

663,941

705,670

Unrestricted

4,433,429

4,442,149

Internally restricted - CPA Manitoba Foundation

-

800,000

Internally restricted - information technology initiatives

700,000

700,000

5,797,370

6,647,819

\$ 10,273,701

\$ 12,558,279

Commitments and Guarantee (Note 8)

Approved by the Board

H. Reichert

Chair

H. Tucker

Secretary

See accompanying notes to the financial statements.

Financial Statements

Chartered Professional Accountants of Manitoba Statement of Operations

Year ended March 31	2020	2019
Revenues		
Member fees	\$ 5,544,270	\$ 5,499,544
Less national fees and assessment	<u>(2,119,549)</u>	<u>(2,106,705)</u>
	3,424,721	3,392,839
Pre-certification (Note 10)	4,295,073	703,169
Member education, events and services	994,145	1,061,941
Practicing office assessments and practice review	533,920	485,170
Other	182,560	231,041
Investment (Note 4)	<u>(13,870)</u>	<u>294,975</u>
	<u>9,416,549</u>	<u>6,169,135</u>
Expense		
Pre-certification (Note 10)	3,834,234	119,403
Salaries and benefits	2,662,931	2,440,406
Office occupancy and operations	905,495	935,237
Foundation contribution (Note 10)	800,000	-
Member education, events and services	792,990	897,818
External communications and student recruitment	460,690	612,780
Regulatory	427,272	423,242
Amortization	230,788	189,742
Governance	<u>152,598</u>	<u>109,504</u>
	<u>10,266,998</u>	<u>5,728,132</u>
(Deficiency) excess of revenues over expense	<u>\$ (850,449)</u>	<u>\$ 441,003</u>

See accompanying notes to the financial statements.

Financial Statements

Chartered Professional Accountants of Manitoba Statement of Changes in Net Assets

Year ended March 31

	Invested in capital assets	Unrestricted	Internally restricted - CPA Manitoba Foundation	Internally restricted - information technology initiatives	Total 2020	Total 2019
Net assets, beginning of year	\$ 705,670	\$ 4,442,149	\$ 800,000	\$ 700,000	\$ 6,647,819	\$ 6,206,816
(Deficiency) excess of revenue over expense	(178,730)	128,281	(800,000)	-	(850,449)	441,003
Investment in capital assets	<u>137,001</u>	<u>(137,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 663,941</u>	<u>\$ 4,433,429</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 5,797,370</u>	<u>\$ 6,647,819</u>

See accompanying notes to the financial statements.

Financial Statements

Chartered Professional Accountants of Manitoba Statement of Cash Flows

Year ended March 31

	2020	2019 (Note 12)
Operating		
Member fees and pre-certification	\$ 2,837,136	\$ 4,107,038
Member education, events and services	954,477	1,053,493
Practicing office assessments and practice review	530,613	495,240
Investment and other	344,497	400,022
Cash disbursements	<u>(6,946,074)</u>	<u>(5,275,622)</u>
	<u>(2,279,351)</u>	<u>780,171</u>
Financing		
Repayment from related party	<u>66,636</u>	<u>15,625</u>
Investing		
Purchase of investments	(1,089,823)	(595,078)
Proceeds on sale of investments	1,129,161	656,462
Purchase of capital assets	<u>(137,001)</u>	<u>(261,415)</u>
	<u>(97,663)</u>	<u>(200,031)</u>
Net (decrease) increase in cash	(2,310,378)	595,765
Cash		
Beginning of year	<u>4,517,466</u>	<u>3,921,701</u>
End of year	<u>\$ 2,207,088</u>	<u>\$ 4,517,466</u>

See accompanying notes to the financial statements.

Financial Statements

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2020

1. Purpose and objectives

Chartered Professional Accountants of Manitoba (CPA Manitoba) is the self-regulating body for all Chartered Professional Accountants in Manitoba. Its mission is to foster public confidence in the CPA profession and act in the public interest through its development and support of CPAs and CPA students and candidates with the competencies and resources to excel in all sectors.

CPA Manitoba was incorporated by *The Chartered Professional Accountants Act*, a special act of the Manitoba Legislature. As a not-for-profit organization, CPA Manitoba is exempt from tax under the *Income Tax Act*.

2. Summary of significant accounting policies

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

(a) Investments

Investments are comprised of units of pooled funds and guaranteed investment certificates.

Pooled funds are initially recognized and subsequently measured at fair value, determined using quoted market prices. Transaction costs and net gains and losses arising from changes in fair value are immediately recognized in operations.

Guaranteed investment certificates are initially recognized at fair value and subsequently measured at amortized cost.

(b) Capital assets

Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets:

Furniture	10 years
Computer equipment	3 years
Website	3 years
Office equipment	5 years
Signs	5 years

Amortization of leasehold improvements is recorded on a straight-line basis over the remaining term of the lease.

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2020

2. Summary of significant accounting policies - continued

(c) **Deferred lease inducements**

Lease inducements are amortized on a straight-line basis over the remaining term of the lease.

(d) **Revenue recognition**

Member fees, practicing office assessments and practice review and pre-certification revenue are recognized in the year to which they relate. Member education and events revenue are recognized when the event is presented.

Investment income on pooled funds is recorded on a proportionate share of revenue, gains, losses, and expenses within the pooled funds, as well as on disposition of units owned. Investment income includes dividend and interest income and realized and unrealized gains and losses.

Investment income on guaranteed investment certificates consists of interest income received plus accrued interest earned from the anniversary date to the period end.

Other income, which includes various cost recoveries and revenue from services provided to other accounting bodies, is recorded in the year to which it relates.

(e) **Donated services**

The work of CPA Manitoba is dependent on the voluntary service of many members and public representatives. The value of donated services is not recognized in these statements.

(f) **Accounting estimates**

The preparation of financial statements in accordance 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 reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial Statements

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

3. Accounts receivable

	<u>2020</u>	<u>2019</u>
CPA accounting bodies	\$ 148,013	\$ 83,668
Member and other	23,142	4,401
Interest	-	20,753
	<u>\$ 171,155</u>	<u>\$ 108,822</u>

4. Financial instruments

CPA Manitoba's financial instruments consist of cash, accounts receivable, investments, due (to) from related parties and accounts payable and accruals. CPA Manitoba initially measures its financial assets and liabilities at fair value. CPA Manitoba subsequently measures all financial assets and liabilities at amortized cost, except for long-term investments held in pooled funds which are measured at fair value.

	<u>2020</u>	<u>2019</u>
Investments measured at amortized cost:		
Guaranteed investment certificates	\$ -	\$ 138,480
Pooled fund investments measured at fair value:		
Canadian fixed income funds	2,030,365	1,814,537
Equity funds	2,121,151	2,452,076
Canadian real estate funds	679,651	637,540
	<u>4,831,167</u>	<u>4,904,153</u>
	<u>\$ 4,831,167</u>	<u>\$ 5,042,633</u>
Short-term investments:		
Guaranteed investment certificates	\$ -	\$ 138,480
Long-term investments:		
Pooled funds	<u>4,831,167</u>	<u>4,904,153</u>
	<u>\$ 4,831,167</u>	<u>\$ 5,042,633</u>

Financial Statements

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

4. Financial instruments - continued

Investments in guaranteed investment certificates were held at National Bank of Canada.

Investments in pooled funds are made available through Canada Life Assurance Company. The managers of the funds held within the account include GWL Investment Management, London Capital Management, Portico Investment Management (divisions of GLC Asset Management Group), GWL Realty Advisors and JP Morgan Asset Management.

CPA Manitoba is exposed to various risks through its investments. The following analysis provides a measure of CPA Manitoba's exposure to credit, market, currency and interest rate risks and concentrations.

The fixed income funds include bond funds - 49% (2019 - 60%), mortgage funds - 51% (2019 - 38%), and other - 0% (2019 - 2%). The bond funds are diversified by sector, industry, and credit quality. These investments have a market yield range of 2.5% to 3.4% (2019 - 2.4% to 3.0%) and an average term of 8.7 to 10.7 years (2019 - 8.4 to 9.9 years).

The mortgage funds are diversified by type and location. These investments have a market yield of 2.4% (2019 - 3.0%) and an average term of 4.6 years (2019 - 4.7 years).

The equity funds invest predominately in shares of publicly traded Canadian medium and large capitalized companies, publicly traded shares in the United States (U.S.) market, and a combination of common shares and other equity investments issued by non-North American companies which are traded primarily outside Canada and the U.S.

CPA Manitoba's equity funds include the following:

	<u>2020</u>	<u>2019</u>
Canadian	\$ 1,223,225	\$ 1,471,246
U.S.	449,087	490,415
Various European	296,907	314,307
Japanese	67,864	90,727
Other	<u>84,068</u>	<u>85,381</u>
Total fair value	<u>\$ 2,121,151</u>	<u>\$ 2,452,076</u>

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements

March 31, 2020

4. Financial instruments - continued

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 63% (2019 - 60%) of the portfolio is located in Ontario, with the remainder spread across Canada. A total of 40% (2019 - 43%) is invested in office real estate.

Investment income is composed of the following:

	<u>2020</u>	<u>2019</u>
Interest from cash and guaranteed investment certificates	\$ 26,436	\$ 32,255
Interest and dividends from investments	131,822	124,535
Net realized gains on sales of investments	88,564	82,666
Net unrealized (losses) gains on investments	<u>(260,692)</u>	<u>55,519</u>
	<u>\$ (13,870)</u>	<u>\$ 294,975</u>

Guaranteed investment certificates had an effective interest rate ranging from 2.56% to 2.57% (2019 - 2.56% to 2.57%). These investments matured in December 2019.

CPA Manitoba manages its exposure to the risks associated with financial instruments that have potential to affect its operating and financial performance in accordance with its investment policy. The objective of these policies is to reduce volatility in cash flow and earnings. CPA Manitoba does not use derivative financial instruments to manage its risk.

Financial Statements

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

5. Capital assets

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	\$ 1,144,816	\$ 423,146	\$ 1,144,816	\$ 337,536
Furniture	403,660	225,465	415,693	205,338
Computer equipment	243,895	198,306	245,996	210,854
Website	267,725	106,266	184,935	30,822
Office equipment	142,583	107,911	125,188	105,427
Signs	2,039	1,427	2,039	1,019
	<u>\$ 2,204,718</u>	<u>\$ 1,062,521</u>	<u>\$ 2,118,667</u>	<u>\$ 890,996</u>
Net book value	<u>\$ 1,142,197</u>		<u>\$ 1,227,671</u>	

6. Accounts payable and accruals

	2020	2019
Accounts payable	\$ 191,611	\$ 145,092
Accruals and other	198,256	226,438
CPA accounting bodies	243,456	705,300
Government remittances	107,194	185,719
	<u>\$ 740,517</u>	<u>\$ 1,262,549</u>

7. Unearned fees

	2020	2019 (Note 12)
Member fees	\$ 1,947,745	\$ 2,575,496
Student and course module fees (Note 10)	1,262,541	1,508,322
Other	14,614	56,519
	<u>\$ 3,224,900</u>	<u>\$ 4,140,337</u>

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

8. Commitments and guarantee

Office space

CPA Manitoba currently leases office space through to December 31, 2028.

The following schedule includes future lease payments under this lease:

2021	\$ 226,436
2022	226,436
2023	226,436
2024	234,523
2025	258,784
2026-2029	<u>970,440</u>
	<u>\$ 2,143,055</u>

Office equipment

In 2017, CPA Manitoba entered into an operating lease for office equipment expiring in December 2021. The remaining commitment during this period is \$7,790.

Communication services agreements

CPA Manitoba has various communication agreements through to March 2022 totaling \$46,250. The annual commitment is \$27,086 in 2021 and \$19,164 in the final year.

Software services agreement

In 2018, CPA Manitoba entered into an agreement for software licensing and data hosting through to March 31, 2022. The remaining commitment is \$195,750.

Office and IT contracts

In 2020, CPA Manitoba has various contracts for the purchase of office equipment and IT related services to be completed in 2021. The remaining commitment is \$78,147.

Guarantee

CPA Manitoba had an agreement with Steinbach Credit Union to provide financial assistance to students and candidates in the CPA program who met specific criteria. This program has been discontinued and CPA Manitoba's obligation at March 31, 2020 is \$Nil (2019 - \$13,962). CPA Manitoba did not incur any expenses over the duration of this agreement.

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2020

9. Deferred lease inducement

The current lease for office space provides for a lease inducement for leasehold improvements. It is being amortized over the life of the lease to December 2028.

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 507,574	\$ 559,632
Amortization	<u>(52,058)</u>	<u>(52,058)</u>
Closing balance	<u>\$ 455,516</u>	<u>\$ 507,574</u>

Amortization of lease inducements is included in office occupancy and operations.

10. Related party information

Chartered Professional Accountants of Manitoba Foundation Inc. (CPA Foundation)

CPA Manitoba has significant influence over the CPA Foundation through its complimentary mandate and shared members and staff. CPA Manitoba's CEO serves as an ex-officio member of the CPA Foundation Board. The CPA Foundation was established on July 1, 2015 to support the pursuit of business and accounting education. The CPA Foundation is incorporated under *The Corporations Act of Manitoba* and is a registered charity under the *Income Tax Act*.

During the year, CPA Manitoba and the CPA Foundation entered into a new funding agreement to provide assistance to the CPA Foundation to help achieve its objectives. Under the terms of the agreement, CPA Manitoba provided funding in the amount of \$800,000. This amount was paid from the internally restricted fund established last year. This funding replaces funding provided in 2019 totaling \$100,000 less recoveries totaling \$51,040. As part of the new funding agreement, CPA Manitoba provided in-kind resources including office space and operating and staff support for various initiatives in the amount of \$141,000.

The CPA Foundation also assumed responsibility for CPA Manitoba's commitment of \$350,000 in support of the I.H. Asper School of Business which existed at March 31, 2019.

During the year, CPA Manitoba collected \$102,162 (2019 - \$120,138) in contributions and event revenue on behalf of the CPA Foundation.

CPA Insurance Plans West (CPAIPW)

CPAIPW administers benefits plans for members of the CPA accounting bodies in the four western provinces and the territories. CPA Manitoba appoints two persons to serve on the CPAIPW's eight member board.

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

10. Related party information - continued

CPAWSB Western School of Business (CPAWSB)

CPAWSB is responsible for delivering pre-certification education for students and candidates in the four western provinces and the territories, in accordance with an agreement established on September 29, 2015. Effective June 1, 2018, the western CPA provincial bodies approved changes to its governance structure. The Board of Directors of CPAWSB is now composed of the CEOs from the four western provinces.

CPAWSB and the four western provinces signed an operating agreement effective April 1, 2019 whereby CPAWSB acts as an independent agent collecting revenue and incurring costs on behalf of the four western provinces for delivery of the CPA Education Program.

During the year CPAWSB collected annual student/candidate dues and module fees of \$4,002,941 on behalf of CPA Manitoba. \$4,227,587 has been recognized as revenue and \$1,262,541 (2019 - \$1,508,322) has been recorded as deferred revenue.

CPAWSB incurred costs totaling \$3,743,482 to deliver programs to Manitoba's students. Cost recoveries for other agreements totaled \$103,844 (2019 - \$831,523).

Chartered Professional Accountants of Canada (CPA Canada)

CPA Manitoba, along with other CPA accounting bodies in Canada, have entered into a Collaboration Accord with CPA Canada which allows the bodies to work together to achieve a common mission and vision that best serves the interests of both the public and the CPA profession. CPA Manitoba collects dues on behalf of CPA Canada and participates in various strategic and cost-sharing initiatives.

CPA Manitoba's proportionate share of these costs was \$183,250 (2019 - \$165,590).

Due (to) from related parties

At March 31 the following amounts were (payable to) receivable from related parties:

	<u>2020</u>	<u>2019</u> (Note 12)
CPA Foundation	\$ (55,398)	\$ 11,238
CPAWSB	<u>1,762,331</u>	<u>1,552,021</u>
	<u>\$ 1,706,933</u>	<u>\$ 1,563,259</u>

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2020

10. Related party information - continued

The amounts (payable to) receivable from CPA Foundation are unsecured and have no specific terms of repayment. The amounts receivable from CPAWSB are unsecured. The Operating Agreement provides for annual settlement of the net contribution from operations.

11. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. As a result of the pandemic, CPA Manitoba staff transitioned to working from home and continue to do so as a return to work plan is developed. Events have been impacted resulting in some cancellations while others have been transitioned to virtual events. Deadlines for collection of annual member and student/candidate dues have been extended, resulting in a slower collection of revenue. CPA Manitoba's investments continue to be monitored during this difficult economic time. It is not possible for CPA Manitoba to predict the duration or magnitude of the adverse results of the outbreak and its effects on the CPA Manitoba's business or results of operations at this time.

12. Comparative figures

Certain amounts for March 31, 2019 have been reclassified to conform with the presentation adopted in the current year.



• CELEBRATING
• 5 YEARS

CPA Manitoba

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