

**The Institute of Chartered Accountants of Manitoba**  
**Consolidated Financial Statements**  
August 31, 2015

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## Independent Auditors' Report

To the Members of  
The Institute of Chartered Accountants of Manitoba

We have audited the accompanying consolidated financial statements of The Institute of Chartered Accountants of Manitoba, which comprise the consolidated statement of financial position as at August 31, 2015, and the consolidated statements of operations, changes in net assets and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the consolidated financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Institute of Chartered Accountants of Manitoba as at August 31, 2015, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in blue ink that reads "Booke &amp; partners".

**The Institute of Chartered Accountants of Manitoba**  
(Incorporated by *The Chartered Accountants Act of Manitoba*)  
**Consolidated Statement of Financial Position**

	August 31, 2015	March 31, 2015
		(Note 14)
<b>Assets</b>		
Current		
Cash	\$ 1,295,051	\$ 515,298
Accounts receivable (Note 4)	174,875	378,133
Prepays	<u>20,995</u>	<u>28,638</u>
	1,490,921	922,069
Investments (Note 5)	1,266,442	1,288,051
Capital assets (Note 6)	<u>554,624</u>	<u>583,228</u>
	<u>\$ 3,311,987</u>	<u>\$ 2,793,348</u>
<b>Liabilities</b>		
Current		
Accounts payable and accruals (Note 7)	\$ 700,157	\$ 572,454
Unearned fees	<u>775,548</u>	<u>307,021</u>
	1,475,705	879,475
Deferred lease inducement (Note 10)	<u>325,147</u>	<u>335,308</u>
	<u>1,800,852</u>	<u>1,214,783</u>
<b>Net Assets</b>		
Invested in capital assets	237,721	256,165
Unrestricted	<u>1,273,414</u>	<u>1,322,400</u>
	<u>1,511,135</u>	<u>1,578,565</u>
	<u>\$ 3,311,987</u>	<u>\$ 2,793,348</u>

Commitments (Note 9)

Approved by the Board

\_\_\_\_\_ Chair

\_\_\_\_\_ Secretary

See accompanying notes to the consolidated financial statements.

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**The Institute of Chartered Accountants of Manitoba  
Consolidated Statement of Operations**

	<b>August 31, 2015 (5 months)</b>	March 31, 2015 (12 months)
		(Note 14)
Revenue		
Member fees	<b>\$ 956,690</b>	\$ 2,310,621
Less national fees and assessment	<u><b>(336,394)</b></u>	<u>(863,500)</u>
	<b>620,296</b>	1,447,121
Pre-certification education programs (Note 11)	<b>392,099</b>	2,094,382
Member education and events	<b>118,254</b>	375,253
Practicing office assessments and practice review	<b>67,346</b>	180,872
Investment and other (Note 5)	<u><b>8,680</b></u>	<u>105,295</u>
	<u><b>1,206,675</b></u>	<u>4,202,923</u>
Expense		
Salaries and benefits	<b>471,597</b>	1,451,707
Pre-certification education programs (Note 11)	<b>328,176</b>	1,127,048
Office occupancy and operations	<b>164,182</b>	445,914
Governance	<b>92,013</b>	166,338
External communications and student recruitment	<b>88,970</b>	208,408
Member education, events and services	<b>76,516</b>	526,618
Amortization	<b>30,334</b>	76,174
Regulatory	<u><b>22,317</b></u>	<u>70,202</u>
	<u><b>1,274,105</b></u>	<u>4,072,409</u>
(Deficiency) excess of revenue over expense	<u><b>\$ (67,430)</b></u>	<u>\$ 130,514</u>

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See accompanying notes to the consolidated financial statements.

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**The Institute of Chartered Accountants of Manitoba  
Consolidated Statement of Changes in Net Assets**

	Invested in capital assets	Unrestricted	Total August 31, 2015 (5 months)	Total March 31, 2015 (12 months)
Net assets, beginning of period	\$ 256,165	\$ 1,322,400	<b>\$ 1,578,565</b>	\$ 1,448,051
(Deficiency) excess of revenue over expense	(19,466)	(47,964)	<b>(67,430)</b>	130,514
Investment in capital assets	<u>1,022</u>	<u>(1,022)</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u><b>\$ 237,721</b></u>	<u><b>\$ 1,273,414</b></u>	<u><b>\$ 1,511,135</b></u>	<u><b>\$ 1,578,565</b></u>

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See accompanying notes to the consolidated financial statements.

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**The Institute of Chartered Accountants of Manitoba  
Consolidated Statement of Cash Flows**

	<b>August 31, 2015 (5 months)</b>	March 31, 2015 (12 months)
		(Note 14)
<b>Operating</b>		
Cash receipts		
Member fees	<b>\$ 1,318,466</b>	\$ 1,422,970
Member programs and events	<b>406,442</b>	667,935
Investment and other	<b>31,097</b>	26,446
Cash disbursements	<u><b>(974,115)</b></u>	<u>(2,377,699)</u>
	<u><b>781,890</b></u>	<u>(260,348)</u>
<b>Financing</b>		
Lease inducements	<u>-</u>	<u>365,791</u>
<b>Investing</b>		
Purchase of long term investments	<b>(46,716)</b>	(107,825)
Proceeds on sale of long term investments	<b>45,601</b>	83,827
Purchase of capital assets	<u><b>(1,022)</b></u>	<u>(177,611)</u>
	<u><b>(2,137)</b></u>	<u>(201,609)</u>
<b>Net increase (decrease) in cash</b>	<b>779,753</b>	(96,166)
<b>Cash</b>		
Beginning of period	<u><b>515,298</b></u>	<u>611,464</u>
End of period	<u><b>\$ 1,295,051</b></u>	<u>\$ 515,298</u>

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See accompanying notes to the consolidated financial statements.

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# The Institute of Chartered Accountants of Manitoba

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 1. Purpose and objectives

The Institute of Chartered Accountants of Manitoba (Institute) is the self-regulating body for all Chartered Accountants in Manitoba. Its mission is to foster public confidence in the CA profession by acting in the public interest and helping its members excel.

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

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### 2. Merger events

#### Merger of accounting bodies (Note 8)

On September 1, 2015, the *Chartered Professional Accountants Act* was proclaimed in Manitoba. The legislation amalgamates the Institute, the Certified General Accountants Association of Manitoba (CGA Manitoba), and the Society of Management Accountants of Manitoba (CMA Manitoba) as one corporate body under the name Chartered Professional Accountants of Manitoba (CPA Manitoba).

All the net assets of the Institute together with those of CGA Manitoba and CMA Manitoba have become the assets of CPA Manitoba effective September 1, 2015. All existing commitments have become commitments of CPA Manitoba.

#### Merger of Accounting Foundations

Similar to the amalgamation of the three accounting bodies, the CA and CMA Foundations have merged the two Foundations into a new body known as the Chartered Professional Accountants of Manitoba Foundation (CPA Foundation). The CPA Foundation was formed effective July 1, 2015.

The CMA Foundation was controlled by its accounting body prior to July 1, 2015.

#### Regional Education

The Institute, together with its partners in the CPA Manitoba Joint Venture, are in the process of developing a new Education Agreement to replace the existing Education Agreement between the CA provincial accounting bodies in British Columbia, Alberta, Saskatchewan and Manitoba and the CPA Western School of Business. The new Education Agreement will be between the new CPA provincial accounting bodies and the regional school regarding the effective delivery of professional accounting education for those aspiring to become Chartered Professional Accountants.

On September 29, 2015, CPA Manitoba entered into a new agreement with the CPA provincial accounting bodies and the CPA Western School of Business.

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

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**3. Summary of significant accounting policies**

The consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the accounts of the Institute and its interest in CPA Manitoba Joint Venture. Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The consolidated financial statements include the following significant accounting policies:

**(a) Interest in CPA Manitoba Joint Venture**

The Institute accounts for its interest in the CPA Manitoba Joint Venture using the proportionate consolidation method. The Institute's consolidated financial statements include its pro rata share of CPA Manitoba Joint Venture's assets, liabilities, revenues, expenses, excess revenue and cash flows from operating, investing and financing activities.

**(b) Investments**

Long term investments, which comprise units of 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.

**(c) Capital assets**

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

Office furniture and equipment	5 - 10 years
Computer equipment	3 years
Computer database system	3 years
Building improvements	10 years
Sign	10 years

Amortization of leasehold improvements is recorded over the remaining term of the lease.

**(d) Deferred lease inducements**

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

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

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**3. Summary of significant accounting policies - continued**

**(e) Revenue recognition**

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

Investment income 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.

**(f) Donated services**

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

**(g) 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.

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**4. Accounts receivable**

	<b>August 31, 2015</b>	March 31, 2015
Provincial bodies, CPA Canada and other accounting bodies	<b>\$ 30,942</b>	\$ 329,960
Member and other receivables	<b>127,769</b>	31,961
Government remittances	<b>16,164</b>	16,212
	<b><u>\$ 174,875</u></b>	<b><u>\$ 378,133</u></b>

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

**5. Financial instruments**

The Institute's financial instruments consist of cash, accounts receivable, long term investments, accounts payable and accruals. The Institute initially measures its financial assets and liabilities at fair value. The Institute subsequently measures all financial assets and liabilities at amortized cost, except for long term investments which are measured at fair value.

The fair value of long term investments is disclosed below:

	<b>August 31, 2015</b>	March 31, 2015
Canadian fixed income funds	<b>\$ 416,045</b>	\$ 387,494
Equity funds	<b>680,887</b>	716,863
Canadian real estate funds	<b>169,510</b>	183,694
	<b><u>\$ 1,266,442</u></b>	<b><u>\$ 1,288,051</u></b>

Investments are in pooled funds, which are managed by GLC Asset Management Group.

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

The fixed income funds invest primarily in federal and provincial government debt obligations, medium to high quality corporate debt securities and mortgages on Canadian property. The government debt obligations have credit ratings of AAA, AA, or A, with at least 50% having a credit rating of AA or higher. The government debt obligations within the fixed income funds have a weighted average yield of 2.1% (March 31, 2015 – 2.0%), with maturity dates ranging from 3 to 20 years.

The corporate debt securities have credit ratings of a minimum of BBB. The securities are diversified by issue and classes of securities. These investments have a weighted average yield of 2.6% (March 31, 2015 – 2.3%) and an average duration of 2 years.

Approximately 39% (March 31, 2015 – 42%) of the fixed income funds consist of mortgage investments. The mortgage portfolio is diversified across regional markets, with 42% (March 31, 2015 – 42%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 37% (March 31, 2015 – 37%) being retail mortgages, 21% (March 31, 2015 – 20%) being industrial mortgages, and the remainder being office, residential and other. These investments have a weighted average yield of 2.1% (March 31, 2015 – 2.0%) and a duration of 4.2 years (March 31, 2015 – 4.1 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.

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

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**5. Financial instruments - continued**

The Institute's equity funds include the following currencies:

	<b>August 31, 2015</b>	March 31, 2015
Canadian	<b>\$ 381,135</b>	\$ 412,077
U.S.	<b>179,050</b>	181,038
Various European	<b>78,058</b>	78,580
Japanese	<b>24,406</b>	23,388
Other	<b>18,238</b>	21,780
	<hr/>	<hr/>
Total market value	<b>\$ 680,887</b>	\$ 716,863

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 55% (March 31, 2015 – 54%) of the portfolio was located in Ontario, with the remainder spread across Canada and 48% (March 31, 2015 – 50%) was invested in office real estate.

Investment and other income is composed of the following:

	<b>August 31, 2015</b>	March 31, 2015
Interest from cash	<b>\$ 8,281</b>	\$ 40,189
Interest and dividends from pooled funds	<b>1,936</b>	14,056
Realized gains on sales of investments	<b>4,653</b>	12,600
Unrealized (losses) gains on investments	<b>(14,242)</b>	29,665
Other non investment income	<b>8,052</b>	8,785
	<hr/>	<hr/>
	<b>\$ 8,680</b>	\$ 105,295

The Institute manages its exposure to the risks associated with financial instruments that have potential to affect its operating and financial performance in accordance with its Governance Policies. The objective of these policies is to reduce volatility in cash flow and earnings. The Council monitors compliance with risk management policies and reviews these policies on an annual basis. The Institute does not use derivative financial instruments to manage its risks.

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

**6. Capital assets**

	<u>August 31, 2015</u>		<u>March 31, 2015</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Office furniture and equipment	\$ 271,375	\$ 135,173	\$ 271,375	\$ 124,435
Computer equipment	106,982	85,390	105,959	79,079
Leasehold improvements	432,733	48,030	432,733	36,008
Computer database system	41,000	41,000	41,000	41,000
Building improvements	9,232	846	9,232	462
Sign	4,118	377	4,118	205
	<u>\$ 865,440</u>	<u>\$ 310,816</u>	<u>\$ 864,417</u>	<u>\$ 281,189</u>
Net book value	<u>\$ 554,624</u>		<u>\$ 583,228</u>	

**7. Accounts payable and accruals**

	<u>August 31, 2015</u>	<u>March 31, 2015</u>
Accounts payable	\$ 92,562	\$ 130,366
Accruals and other	166,840	252,606
Other accounting bodies	436,500	189,482
Government remittances	4,255	-
	<u>\$ 700,157</u>	<u>\$ 572,454</u>

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
August 31, 2015

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**8. CPA Manitoba Joint Venture**

On April 1, 2014, a Joint Venture Agreement was signed by the Institute, CMA Manitoba and CGA Manitoba to form an unincorporated joint venture, CPA Manitoba Joint Venture. The Institute's proportionate share of the CPA Manitoba Joint Venture's assets, liabilities, revenue, expenses, excess revenue and cash flows from operating, investing and financing activities is determined as the total number of chartered accountant members of the Institute divided by the sum of the total number of chartered accountant members of the Institute, the total number of certified management accountant members of CMA Manitoba and total number of certified general accountant members of CGA Manitoba as at the effective date and annually thereafter. The Institute's share as at April 1, 2015 was 42.6% (April 1, 2014 – 43.4%).

CPA Manitoba Joint Venture ceased to exist on August 31, 2015 upon formation of CPA Manitoba.

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**9. Lease obligations and other commitments**

**Office space**

In 2013, the Institute entered into an agreement with CMA Manitoba to lease office space. The lease commenced January 1, 2014.

The following schedule includes future lease payments for the Institute's share under this lease:

2016	\$	42,676
2017		73,158
2018		73,158
2019		76,206
2020		85,351
2021-2028		<u>807,788</u>
	\$	<u>1,158,337</u>

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
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**10. 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>August 31, 2015</u>	<u>March 31, 2015</u>
Opening balance	\$ 335,308	\$ 359,694
Amortization	<u>(10,161)</u>	<u>(24,386)</u>
Closing balance	<u>\$ 325,147</u>	<u>\$ 335,308</u>

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**11. Pre-certification education programs**

The revenue and expense includes the Institute's proportionate share of the CPA Pre-Requisite Education Program (PREP), and the CGA and CMA legacy education programs. Delivery of the PREP program was transferred to the CPA Western School of Business in June 2015. The final offerings of the CGA and CMA programs were in September 2015.

Revenue

	<u>August 31, 2015</u>	<u>March 31, 2015</u>
CPA PREP	\$ 76,746	\$ 188,303
CGA and CMA legacy programs	<u>315,353</u>	<u>1,906,079</u>
	<u>\$ 392,099</u>	<u>\$ 2,094,382</u>

Expense

	<u>August 31, 2015</u>	<u>March 31, 2015</u>
CPA PREP	\$ 77,603	\$ 81,682
CGA and CMA legacy programs	<u>248,896</u>	<u>1,033,766</u>
National education and pre-requisite initiatives	<u>1,677</u>	<u>11,600</u>
	<u>\$ 328,176</u>	<u>\$ 1,127,048</u>

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**The Institute of Chartered Accountants of Manitoba**  
**Notes to the Consolidated Financial Statements**  
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**12. Disclosure of controlled entity**

The Institute controlled the Manitoba Chartered Accountants Foundation Inc. (Foundation) by its right to approve the Foundation's strategic plans. The purpose of the Foundation was to enhance the quality of accounting education in Manitoba. The Foundation was incorporated under The Corporations Act of Manitoba and is a registered charity under the Income Tax Act.

Effective July 1, 2015, the Foundation was merged with the Certified Management Accountants of Manitoba Foundation Inc. to form the Chartered Professional Accountants of Manitoba Foundation Inc.

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**13. Related party information**

**CPA Western School of Business (formerly CA School of Business)**

In June 2000, the Institute, along with the Institutes of Chartered Accountants of British Columbia, Alberta and Saskatchewan, entered into an agreement with the CA School of Business (CASB) to have CASB develop, deliver and administer pre-certification education for students in the four western provinces and territories. CASB was incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. CASB is governed by a nine member Board consisting of one member appointed by each participating Institute and the balance appointed by a nominating committee, comprised of the Presidents of the participating Institutes. CPA Manitoba signed a new agreement with the CPA Western School of Business in September 2015.

**CPA Insurance Plans West**

CPA Insurance Plans West (CPAIPW) is responsible for the operation of CPA benefit plans with the CPA bodies in British Columbia, Alberta, Saskatchewan, Manitoba, Yukon and Northwest Territories. CPA Manitoba nominates two of the eight members of the Board of CAIPW. During the year, the Institute purchased benefit plan services from CAIPW for its employees at a cost of \$5,495 (March 31, 2015 - \$34,502). These costs are included in salaries and benefit expenses in the statement of operations. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Effective June 1, 2015, the Institute cancelled its employee benefit plan with CPAIPW.

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**14. Comparative figures**

Certain amounts for March 31, 2015 have been reclassified to conform with the presentation adopted in the current year.

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