

Chartered Professional Accountants of Manitoba
Financial Statements
March 31, 2021

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14



200 - 900 Lorimer Boulevard
Winnipeg, Manitoba R3P 2V4
Tel: (204) 284-7060
Fax: (204) 284-7105
www.bookeandpartners.ca

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, 2021, 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, 2021, 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.

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.

Independent Auditors' Report

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.
- ◆ 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.



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

March 31

2021**2020**

Assets

Current

Cash	\$ 3,298,388	\$ 2,207,088
Accounts receivable (Note 3)	285,534	171,155
Prepays	139,401	159,763
Due from related parties (Note 10)	<u>2,259,390</u>	<u>1,762,331</u>

Long-term investments (Note 4)

5,982,713 4,300,337

Capital assets (Note 5)

5,621,674 4,831,167

1,055,732 1,142,197\$ 12,660,119 \$ 10,273,701

Liabilities

Current

Accounts payable and accruals (Note 6)	\$ 1,175,056	\$ 740,517
Unearned fees (Note 7)	4,025,424	3,224,900
Due to related parties (Note 10)	<u>21,470</u>	<u>55,398</u>

5,221,950 4,020,815

Deferred lease inducement (Note 8)

403,458 455,5165,625,408 4,476,331

Net Assets

Invested in capital assets

636,341 663,941

Unrestricted

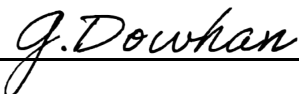
5,263,023 4,433,429


Internally restricted - information technology initiatives

1,135,347 700,0007,034,711 5,797,370\$ 12,660,119 \$ 10,273,701

Commitments (Note 9)

Approved by the Board



Chair

Secretary-Treasurer

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Operations

Year ended March 31

2021**2020**

Revenues

Member fees	\$ 5,628,332	\$ 5,544,270
Less national fees and assessment	(2,125,415)	(2,119,549)
	3,502,917	3,424,721
Pre-certification (Note 10)	4,368,593	4,295,073
Investment (Note 4)	826,728	(13,870)
Member education, events and services	604,360	994,145
Practicing office assessments and practice review	487,570	533,920
Other	93,051	182,560
	9,883,219	9,416,549

Expense

Pre-certification (Note 10)	3,530,505	3,834,234
Salaries and benefits	2,912,638	2,662,931
Office occupancy and operations	996,841	905,495
Amortization	368,393	230,788
Member education, events and services	307,109	792,990
Regulatory	297,305	427,272
External communications and student recruitment (Note 10)	132,384	460,690
Governance	100,703	152,598
Foundation contribution (Note 10)	-	800,000
	8,645,878	10,266,998

Excess (deficiency) of revenues over expense	\$ 1,237,341	\$ (850,449)
--	---------------------	--------------

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Changes in Net Assets

Year ended March 31

	Invested in capital assets	Unrestricted	Internally restricted - information technology initiatives - (Note 11)	Total 2021	Total 2020
Net assets, beginning of year	\$ 663,941	\$ 4,433,429	\$ 700,000	\$ 5,797,370	\$ 6,647,819
Excess (deficiency) of revenue over expense	(316,335)	1,585,250	(31,574)	1,237,341	(850,449)
Investment in capital assets	288,735	(255,656)	(33,079)	-	-
Interfund transfer	<u>-</u>	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 636,341</u>	<u>\$ 5,263,023</u>	<u>\$ 1,135,347</u>	<u>\$ 7,034,711</u>	<u>\$ 5,797,370</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Cash Flows

Year ended March 31

2021**2020**

Operating

Member fees and pre-certification	\$ 8,411,757	\$ 2,837,136
Member education, events and services	474,168	954,477
Practicing office assessments and practice review	474,671	530,613
Investment and other	220,373	344,497
Cash disbursements	<u>(8,073,799)</u>	<u>(6,946,074)</u>
	<u>1,507,170</u>	<u>(2,279,351)</u>

Financing

Repayment (to) from related party	<u>(33,928)</u>	<u>66,636</u>
-----------------------------------	-----------------	---------------

Investing

Purchase of investments	(311,367)	(1,089,823)
Proceeds on sales of investments	218,160	1,129,161
Purchase of capital assets	<u>(288,735)</u>	<u>(137,001)</u>
	<u>(381,942)</u>	<u>(97,663)</u>

Net increase (decrease) in cash**1,091,300** (2,310,378)**Cash**

Beginning of year	<u>2,207,088</u>	<u>4,517,466</u>
End of year	<u>\$ 3,298,388</u>	<u>\$ 2,207,088</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2021

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

CPA Manitoba follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Investments

Investments are comprised of units of pooled funds.

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.

(b) Capital assets

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

Website	2 - 3 years
Furniture	10 years
Office equipment	5 years
Computer equipment	3 years
Member management system	3 years
Signs	5 years

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

(c) Deferred lease inducements

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

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2021

2. Summary of significant accounting policies - continued

(d) Revenue recognition

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

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.

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.

3. Accounts receivable

	<u>2021</u>	<u>2020</u>
CPA accounting bodies	\$ 266,010	\$ 148,013
Member and other	<u>19,524</u>	<u>23,142</u>
	<u>\$ 285,534</u>	<u>\$ 171,155</u>

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
 March 31, 2021

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.

The fair value of long-term investments is disclosed below:

	<u>2021</u>	<u>2020</u>
Canadian fixed income funds	\$ 2,264,294	\$ 2,030,365
Equity funds	2,661,559	2,121,151
Canadian real estate funds	<u>695,821</u>	<u>679,651</u>
	<u>\$ 5,621,674</u>	<u>\$ 4,831,167</u>

Investments in pooled funds are made available through The Canada Life Assurance Company. The managers of the funds include Mackenzie Investments, GWL Realty Advisors, The Canada Life Assurance Company (Commercial Mortgage Investments team) 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% (2020 - 49%) and mortgage funds - 51% (2020 - 51%). The bond funds are diversified by sector, industry, and credit quality. These investments have a market yield range of 1.8% to 2.6% (2020 - 2.5% to 3.4%) and an average term of 9.0 to 9.3 years (2020 - 8.7 to 10.7 years).

The mortgage funds are diversified by type and location. These investments have a market yield of 2.0% (2020 - 2.4%) and an average term of 4.2 years (2020 - 4.6 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>2021</u>	<u>2020</u>
Canadian	\$ 1,604,684	\$ 1,223,225
U.S.	530,831	449,087
Various European	344,769	296,907
Japanese	84,114	67,864
Other	<u>97,161</u>	<u>84,068</u>
Total fair value	<u>\$ 2,661,559</u>	<u>\$ 2,121,151</u>

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
 March 31, 2021

4. Financial instruments - continued

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 65% (2020 - 63%) of the portfolio is located in Ontario, with the remainder spread across Canada. A total of 37% (2020 - 40%) is invested in office real estate.

Investment income is composed of the following:

	<u>2021</u>	<u>2020</u>
Interest from cash	\$ 5,061	\$ 26,436
Interest from investments	90,844	99,439
Dividends from investments	33,524	32,383
Net realized gains on sales of investments	56,185	88,564
Net unrealized gains (losses) on investments	<u>641,114</u>	<u>(260,692)</u>
	<u>\$ 826,728</u>	<u>\$ (13,870)</u>

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.

5. Capital assets

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Leasehold improvements	\$ 1,144,816	\$ 508,756	\$ 1,144,816	\$ 423,146
Website	497,176	314,885	267,725	106,266
Furniture	381,441	236,970	403,660	225,465
Office equipment	175,662	121,982	142,583	107,911
Computer equipment	252,673	217,918	243,895	198,306
Member management system	5,125	854	-	-
Signs	<u>2,039</u>	<u>1,835</u>	<u>2,039</u>	<u>1,427</u>
	<u>\$ 2,458,932</u>	<u>\$ 1,403,200</u>	<u>\$ 2,204,718</u>	<u>\$ 1,062,521</u>
Net book value	<u>\$ 1,055,732</u>		<u>\$ 1,142,197</u>	

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2021

6. Accounts payable and accruals

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 134,317	\$ 191,611
Accruals and other	357,390	198,256
CPA accounting bodies	520,292	243,456
Government remittances	<u>163,057</u>	<u>107,194</u>
	<u>\$ 1,175,056</u>	<u>\$ 740,517</u>

CPA Manitoba maintains credit cards with an aggregate limit of up to \$100,000. The balance owing on the credit cards at March 31, 2021 is \$20,659 (2020 - \$25,925) and is included in accounts payable.

7. Unearned fees

	<u>2021</u>	<u>2020</u>
Member fees	\$ 2,605,373	\$ 1,947,745
Student and course module fees (Note 10)	1,414,816	1,262,541
Other	<u>5,235</u>	<u>14,614</u>
	<u>\$ 4,025,424</u>	<u>\$ 3,224,900</u>

8. 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>2021</u>	<u>2020</u>
Opening balance	\$ 455,516	\$ 507,574
Amortization	<u>(52,058)</u>	<u>(52,058)</u>
Closing balance	<u>\$ 403,458</u>	<u>\$ 455,516</u>

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

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2021

9. Commitments

Office space

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

The following schedule includes future lease payments under this lease:

2022	\$	226,436
2023		226,436
2024		234,523
2025		258,784
2026		258,784
2027-2029		<u>711,656</u>
	\$	<u>1,916,619</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 \$3,230.

Communication services agreements

CPA Manitoba has various communication agreements through to March 2022 totaling \$46,250. The remaining commitment is \$13,128.

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 \$99,000.

At the end of the year, CPA Manitoba entered into a three-year agreement for new software for a Member management system. The total commitment over the term of the agreement is \$230,940. An agreement was also signed for \$160,000 for the discovery phase of the implementation of this new software. Costs of \$5,125 are included in capital assets at March 31, 2021.

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2021

10. Related party information

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

CPA Manitoba has significant influence over the CPA Foundation through a combination of factors including the provision of operating support. The organizations have shared staff and CPA Manitoba's President and 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*.

In 2020, 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 \$0 (2020 - \$800,000). This amount was paid from the internally restricted fund established for this purpose. As part of the funding agreement, CPA Manitoba provides in-kind resources including office space and operating and staff support for various initiatives in the amount of \$141,000 (2020 - \$141,000).

During the year, CPA Manitoba collected \$61,988 (2020 - \$102,162) in contributions and event revenue on behalf of the CPA Foundation. CPA Manitoba also provided support totaling \$22,720 (2020 - \$0) for various initiatives.

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.

CPA 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 \$4,403,199 (2020 - \$4,002,941) on behalf of CPA Manitoba. \$4,250,924 (2020 - \$4,227,587) has been recognized as revenue and \$1,414,816 (2020 - \$1,262,541) has been recorded as deferred revenue.

CPAWSB incurred costs totaling \$3,467,597 (2020 - \$3,743,482) to deliver programs to Manitoba's students. Cost recoveries for other agreements totaled \$0 (2020 - \$103,844).

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2021

10. Related party information - continued

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 \$73,653 (2020 - \$183,250).

Due (to) from related parties

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

	<u>2021</u>	<u>2020</u>
CPA Foundation	\$ (21,470)	\$ (55,398)
CPAWSB	<u>2,259,390</u>	<u>1,762,331</u>
	<u>\$ 2,237,920</u>	<u>\$ 1,706,933</u>

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. Internally Restricted Net Assets

During the year, the Board internally restricted \$500,000 of net assets for information technology initiatives.

12. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation continues to impact local, provincial, national and global economies. CPA Manitoba staff transitioned to work from home in March 2020 and continued to do so throughout the 2021 fiscal year. Events have been impacted resulting either in cancellation or transition to virtual events. Certain areas such as delivery of pre-certification education programs have achieved cost reductions as a result of virtual delivery. Markets were in a decline at March 2020, but have shown a recovery in 2021. Uncertainty remains as to the longer term impact the pandemic will have on the economy and CPA Manitoba's business and results from operations.
