



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
MANITOBA

2017-2018

Audited Financial Statements

Independent Auditors' Report

To the Members of
Chartered Professional Accountants of Manitoba

We have audited the accompanying financial statements of Chartered Professional Accountants of Manitoba, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements present fairly, in all material respects, the financial position of Chartered Professional Accountants of Manitoba as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in blue ink that reads "Booke & Partners".

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

March 31 2018 2017

Assets

Current

Cash	\$ 3,921,701	\$ 4,749,667
Short-term investments (Note 4)	151,800	115,005
Accounts receivable (Note 3)	218,001	405,553
Prepays	103,125	64,331
Due from related party (Note 9)	<u>26,828</u>	<u>45,396</u>

Long-term investments (Note 4)	4,421,455	5,379,952
Investment in related party (Note 9)	4,814,031	3,784,571
Capital assets (Note 5)	35	35
	<u>1,145,158</u>	<u>1,285,071</u>

\$ 10,380,679 **\$ 10,449,629**

Liabilities

Current

Accounts payable and accruals (Note 6)	\$ 1,049,905	\$ 1,280,599
Unearned fees	<u>2,564,326</u>	<u>2,779,695</u>

Deferred lease inducement (Note 8)	3,614,231	4,060,294
	<u>559,632</u>	<u>611,690</u>

4,173,863 **4,671,984**

Net Assets

Invested in capital assets	581,939	806,439
Unrestricted	<u>5,624,877</u>	<u>4,971,206</u>

6,206,816 **5,777,645**

\$ 10,380,679 **\$ 10,449,629**

Commitments and Guarantee (Note 7)

Approved by the Board



Chair



Secretary

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Operations

Year ended March 31

2018**2017**

Revenue		
Member fees	\$ 5,361,587	\$ 5,364,626
Less national fees and assessment	<u>(2,005,148)</u>	<u>(2,010,613)</u>
	3,356,439	3,354,013
Member education, events and services	1,054,692	1,162,836
Practicing office assessments and practice review	486,405	490,650
Investment (Note 4)	249,226	186,861
Pre-certification education	316,627	246,561
Other	<u>160,686</u>	<u>162,040</u>
	<u>5,624,075</u>	<u>5,602,961</u>
Expense		
Salaries and benefits	2,528,219	2,566,075
Office occupancy and operations	826,331	945,922
Member education, events and services	737,914	759,048
External communications and student recruitment	487,081	482,677
Regulatory	245,210	252,914
Amortization	159,293	141,499
Governance	116,085	104,213
Pre-certification education	<u>94,771</u>	<u>74,648</u>
	<u>5,194,904</u>	<u>5,326,996</u>
Excess of revenue over expense before other income	429,171	275,965
Gain on sale of capital assets	<u>-</u>	<u>1,362,076</u>
Excess of revenue over expense	<u>\$ 429,171</u>	<u>\$ 1,638,041</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Changes in Net AssetsYear ended March 31

	Invested in capital assets	Unrestricted	Total 2018	Total 2017
Net assets, beginning of year	\$ 806,439	\$ 4,971,206	\$ 5,777,645	\$ 4,139,604
Excess (deficiency) of revenue over expense	(107,235)	536,406	429,171	1,638,041
Investment in capital assets	<u>(117,265)</u>	<u>117,265</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 581,939</u>	<u>\$ 5,624,877</u>	<u>\$ 6,206,816</u>	<u>\$ 5,777,645</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Cash Flows

Year ended March 31

2018**2017**

Operating

Member and pre-certification fees	\$ 3,461,645	\$ 4,129,353
Member education, events and services	1,228,086	888,847
Practicing office assessments and practice review	483,906	487,159
Investment and other	235,382	363,776
Cash disbursements	<u>(5,479,637)</u>	<u>(6,376,422)</u>
	<u>(70,618)</u>	<u>(507,287)</u>

Financing

Repayment from related party	18,568	148,741
Lease inducements	<u>162,425</u>	<u>-</u>
	<u>180,993</u>	<u>148,741</u>

Investing

Purchase of investments	(1,173,705)	(2,342,979)
Proceeds on sale of investments	280,524	791,418
Purchase of capital assets	(45,160)	(576,655)
Proceeds on disposal of capital assets	<u>-</u>	<u>1,738,951</u>
	<u>(938,341)</u>	<u>(389,265)</u>

Net decrease in cash**(827,966)** **(747,811)****Cash**

Beginning of year	<u>4,749,667</u>	<u>5,497,478</u>
End of year	<u>\$ 3,921,701</u>	<u>\$ 4,749,667</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2018

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
Office equipment	5 years
Computer equipment	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, 2018

2. Summary of significant accounting policies - continued

(d) Revenue recognition

Member fees, practicing office assessments and practice review and pre-certification education 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.

3. Accounts receivable

	<u>2018</u>	<u>2017</u>
CPA bodies and other accounting bodies	\$ 167,904	\$ 188,204
Member and other receivables	17,152	15,314
Interest	32,945	31,489
Lease inducement	-	170,546
	<u>\$ 218,001</u>	<u>\$ 405,553</u>

Chartered Professional Accountants of Manitoba
Notes to the Financial StatementsMarch 31, 2018

4. Financial instruments

CPA Manitoba's financial instruments consist of cash, accounts receivable, investments, due 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>2018</u>	<u>2017</u>
Investments measured at amortized cost:		
Guaranteed investment certificates	<u>\$ 290,280</u>	<u>\$ 405,285</u>
Pooled fund investments measured at fair value:		
Canadian fixed income funds	<u>1,636,443</u>	1,288,430
Equity funds	<u>2,431,286</u>	1,754,903
Canadian real estate funds	<u>607,822</u>	450,958
	<u>4,675,551</u>	<u>3,494,291</u>
	<u>\$ 4,965,831</u>	<u>\$ 3,899,576</u>
Short-term investments:		
Guaranteed investment certificates	<u>\$ 151,800</u>	<u>\$ 115,005</u>
Long-term investments:		
Guaranteed investment certificates	<u>138,480</u>	290,280
Pooled funds	<u>4,675,551</u>	<u>3,494,291</u>
	<u>4,814,031</u>	<u>3,784,571</u>
	<u>\$ 4,965,831</u>	<u>\$ 3,899,576</u>

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2018

4. Financial instruments - continued

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

Investments in pooled funds are made available through The Great-West Life Assurance Company. The managers of the funds held within the account include GWL Investment Management, London Capital, 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 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 comply with federal and provincial pension benefits standards laws, and with Canadian Life and Health Insurance Association Inc. Guideline G2 and other applicable laws as may be amended from time to time. The government debt obligations within the fixed income funds have a weighted average yield of 2.5% (2017 - 2.1%), with maturity dates ranging from 3 to 20 years.

The corporate debt securities are issued by Canadian corporations reflecting a wide range of industrial sectors and credit quality. The investments have a weighted average yield of 3.1% (2017 - 2.6%) and an average duration of 2 years.

Approximately 37% (2017 - 35%) of the fixed income funds consist of mortgage investments. The mortgage portfolio is diversified across regional markets, with 41% (2017 - 37%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 41% (2017 - 37%) being retail mortgages, 17% (2017 - 22%) being industrial mortgages, and the remainder being office, residential and other. These investments have a weighted average yield of 3.2% (2017 - 2.2%) and a duration of 4.0 years (2017 - 3.8 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>2018</u>	<u>2017</u>
Canadian	\$ 1,402,665	\$ 1,050,530
U.S.	514,311	385,756
Various European	313,215	193,082
Japanese	96,330	67,865
Other	104,765	57,670
Total market value	<u>\$ 2,431,286</u>	<u>\$ 1,754,903</u>

Chartered Professional Accountants of Manitoba**Notes to the Financial Statements**March 31, 2018

4. Financial instruments - continued

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 56% (2017 - 55%) of the portfolio was located in Ontario, with the remainder spread across Canada and 44% (2017 - 47%) was invested in office real estate.

Investment income is composed of the following:

	<u>2018</u>	<u>2017</u>
Interest from cash	\$ 35,594	\$ 29,531
Interest and dividends from investments	87,290	60,977
Net realized gains on sales of investments	120,090	31,187
Net unrealized gains on investments	<u>6,252</u>	<u>65,166</u>
	<u>\$ 249,226</u>	<u>\$ 186,861</u>

Guaranteed investment certificates bear interest at effective interest rates ranging from 2.25% to 2.65% (2017 - 2.15% to 2.65%) and their maturity dates range from July 2018 to December 2019 (2017 - July 2017 to 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 Governance Policies. 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.

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
 March 31, 2018

5. Capital assets

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Leasehold improvements	\$ 1,124,836	\$ 252,900	\$ 1,124,836	\$ 169,240
Furniture	408,465	198,544	408,465	166,211
Office equipment	123,212	91,861	118,127	70,606
Computer equipment	223,993	193,470	217,119	179,254
Computer software	-	-	221,506	221,506
Signs	2,039	612	2,039	204
	<u>\$ 1,882,545</u>	<u>\$ 737,387</u>	<u>\$ 2,092,092</u>	<u>\$ 807,021</u>
Net book value	<u>\$ 1,145,158</u>		<u>\$ 1,285,071</u>	

6. Accounts payable and accruals

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 155,513	\$ 138,173
Accruals and other	182,701	285,815
Other accounting bodies	581,691	731,498
Government remittances	130,000	125,113
	<u>\$ 1,049,905</u>	<u>\$ 1,280,599</u>

Chartered Professional Accountants of Manitoba**Notes to the Financial Statements**March 31, 2018

7. Lease obligations and other commitments**Office space**

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

The following schedule includes future lease payments under this lease:

2019	\$	202,175
2020		226,436
2021		226,436
2022		226,436
2023		226,436
2024-2029		<u>1,463,747</u>
	\$	<u>2,571,666</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 \$16,910.

Internet agreement

In 2017, CPA Manitoba entered into a 5 year internet service agreement which expires in December 2021. The annual commitment is \$14,243 for three years and \$9,495 in the final year.

Software services agreement

During the year, CPA Manitoba entered into an agreement for software licensing and data hosting through to March 31, 2022. The remaining commitment is \$382,500.

University support

CPA Manitoba and the CPA Foundation agreed to a 10 year commitment to provide funding of \$100,000 annually to the I.H. Asper School of Business for the purposes of upgrading classrooms and increasing enrolment. CPA Manitoba's portion of this commitment is \$50,000 which is paid annually to the CPA Foundation. The second payment of \$50,000 was made during the year. The remaining commitment of \$400,000 will be funded over the next eight years.

Chartered Professional Accountants of Manitoba
Notes to the Financial StatementsMarch 31, 2018

7. Lease obligations and other commitments - continued**Guarantee**

CPA Manitoba has an agreement with Steinbach Credit Union to provide financial assistance to students and candidates in the CPA program who meet specific criteria. The program provides for a pool of financing of \$1,000,000 for a maximum of 75 students for the duration of their CPA studies. In the event of non-payment by the student or candidate, CPA Manitoba is responsible for 50% of the outstanding amount up to a maximum of \$10,000 per student. At March 31, 2018, 3 (2017 - 11) students have loans outstanding totaling \$13,114 (2017 - \$42,775). Since inception, the agreement has not incurred a default.

In March 2017, CPA Manitoba entered into a new agreement with Steinbach Credit Union to provide financial assistance to students and candidates in the CPA program who meet specific criteria. Loans to new and existing borrowers will be under the new program, for which CPA Manitoba provides no guarantee.

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>2018</u>	<u>2017</u>
Opening balance	\$ 611,690	\$ 493,536
Additions during the year	-	162,425
Amortization	<u>(52,058)</u>	<u>(44,271)</u>
Closing balance	<u>\$ 559,632</u>	<u>\$ 611,690</u>

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

Chartered Professional Accountants of Manitoba Notes to the Financial Statements

March 31, 2018

9. Related party information

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

CPA Manitoba has significant influence over the CPA Foundation through its ability to nominate one third of the Board and by having the CEO of CPA Manitoba serve as an ex-officio member of the Board. The CPA Foundation was established on July 1, 2015 with the purpose of supporting and funding the pursuit of quality 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*.

The CPA Foundation provides financial aid to students and candidates in the CPA program, while CPA Manitoba provides staff, IT and other administration resources. During the period, CPA Manitoba collected \$54,669 (2017 - \$55,993) in contributions and event revenue on behalf of the CPA Foundation. Salary costs totaling \$45,008 (2017 - \$43,616) were recovered from the CPA Foundation. University support payments of \$100,000 (2017 - \$50,000) were paid to the CPA Foundation. Contributions of \$3,340 (2017 - \$Nil) were made to the CPA Foundation.

CGA Shared Services Facility Corp. (SSF)

CPA Manitoba has significant influence over SSF through its ability to nominate two of the four directors. Although CPA Manitoba currently holds a 74% (2017 - 74%) interest in SSF, all board decisions and resolutions require approval of three of the four directors representing, in the aggregate, not less than 50% of the total number of shares.

SSF's purpose is to provide a vehicle for sharing data required for the operations of its shareholders.

SSF was incorporated under the *Canada Business Corporations Act* on July 17, 2001 and is a non-profit organization under paragraph 149(1)(l) of the *Income Tax Act*.

During the period, CPA Manitoba paid fees for services totaling \$29,225 (2017 - \$98,067). SSF paid CPA Manitoba \$13,500 (2017 - \$57,125) for administration and maintenance services.

Effective July 1, 2017, CPA Manitoba and the shareholders of SSF entered into a new Association Management Services Agreement. CPA Manitoba now provides the services previously provided by SSF. SSF is no longer active and is expected to be wound up during the next year.

Investment in related parties

	<u>2018</u>	<u>2017</u>
SSF	<u>\$ 35</u>	<u>\$ 35</u>

CPA Insurance Plans West (CPAIPW)

CPAIPW administers benefits plans for members of the CPA 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, 2018

9. Related party information - continued

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. CPAWSB is governed by a twelve member board, with one member elected by each member body and the remaining board appointed by a nominating committee composed of the Chairs of the participating bodies.

CPAWSB is a registered charity incorporated under the *Canada Not for Profit Corporations Act*, and is not subject to income taxes. In the event of dissolution or wind-up of the corporation, all of its remaining assets after payment of liabilities shall be distributed to qualified donees as defined in Section 149.1(1) of the *Income Tax Act*. If a member body withdraws from the agreement prior to operations ceasing, that body would have no right to any of the assets or other property of CPAWSB.

During the year, CPA Manitoba recovered \$271,879 (2017 - \$234,761) from CPAWSB.

Chartered Professional Accountants of Canada (CPA Canada)

CPA Manitoba, along with other CPA 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 \$173,332 (2017 - \$140,939).

Receivable from related party

At March 31 the following amounts were receivable from CPA Foundation over which CPA Manitoba has significant influence:

	<u>2018</u>	<u>2017</u>
CPA Foundation	<u>\$ 26,828</u>	<u>\$ 45,396</u>

The amounts receivable from CPA Foundation are unsecured and have no specific terms of repayment.

10. Comparative figures

Certain amounts for March 31, 2017 have been reclassified to conform with the presentation adopted in the current year.
