

The Society of Management Accountants of Manitoba
Consolidated Financial Statements

August 31, 2015

Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13



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Independent Auditors' Report

To the Members of
The Society of Management Accountants of Manitoba

We have audited the accompanying consolidated financial statements of The Society of Management 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 Society'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 Society'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 Society of Management 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.

Other Matter

The statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on May 28, 2015.

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

Winnipeg, Canada
January 21, 2016

Chartered Professional Accountants

**The Society of Management Accountants of Manitoba
Consolidated Statement of Financial Position**

	August 31, 2015	March 31, 2015
		(Note 13)
Assets		
Current		
Cash	\$ 1,185,502	\$ 498,587
Short term investment (Note 5)	100,000	100,000
Accounts receivable (Note 4)	178,949	366,087
Prepays	<u>3,320</u>	<u>18,130</u>
	1,467,771	982,804
Investments (Note 5)	542,209	542,375
Capital assets (Note 6)	<u>311,349</u>	<u>325,528</u>
	<u>\$ 2,321,329</u>	<u>\$ 1,850,707</u>
Liabilities		
Current		
Accounts payable and accruals (Note 7)	\$ 523,474	\$ 181,014
Unearned fees	<u>468,273</u>	<u>293,622</u>
	991,747	474,636
Deferred lease inducement (Note 10)	<u>190,959</u>	<u>196,927</u>
	<u>1,182,706</u>	<u>671,563</u>
Net Assets		
Invested in Capital Assets	121,246	129,456
Unrestricted	<u>1,017,377</u>	<u>1,049,688</u>
	<u>1,138,623</u>	<u>1,179,144</u>
	<u>\$ 2,321,329</u>	<u>\$ 1,850,707</u>

Commitments (Note 9)

Approved by the Board

_____ Chair

_____ Secretary

See accompanying notes to the consolidated financial statements.

**The Society of Management Accountants of Manitoba
Consolidated Statement of Operations**

	August 31, 2015 (5 months)	March 31, 2015 (12 months)
		(Note 13)
Revenue		
Member fees	\$ 574,912	\$ 1,345,751
Less national fees and assessment	(202,152)	(505,395)
	372,760	840,356
Pre-certification education programs (Note 12)	235,628	1,225,744
Member education and events	71,063	219,618
Practicing office assessments and practice review	40,471	112,431
Investment and other (Note 5)	5,216	61,624
	725,138	2,459,773
Expense		
Salaries and benefits	283,401	849,567
Pre-certification education programs (Note 12)	197,214	618,692
Office occupancy and operations	98,662	253,145
Governance	55,294	103,859
External communications and student recruitment	53,466	193,058
Member education, events and services	45,982	269,551
Amortization	18,229	44,581
Regulatory	13,411	50,889
	765,659	2,383,342
(Deficiency) excess of revenue over expense	\$ (40,521)	\$ 76,431

See accompanying notes to the consolidated financial statements.

**The Society of Management 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	\$ 129,456	\$ 1,049,688	\$ 1,179,144	\$ 1,102,713
(Deficiency) excess of revenue over expense	(9,920)	(30,601)	(40,521)	76,431
Investment in capital assets	<u>1,710</u>	<u>(1,710)</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u>\$ 121,246</u>	<u>\$ 1,017,377</u>	<u>\$ 1,138,623</u>	<u>\$ 1,179,144</u>

See accompanying notes to the consolidated financial statements.

**The Society of Management Accountants of Manitoba
Consolidated Statement of Cash Flows**

	August 31, 2015 (5 months)	March 31, 2015 (12 months)
		(Note 13)
Cash derived from (applied to):		
Operating		
(Deficiency) excess of revenue over expense	\$ (40,521)	\$ 76,431
Amortization	<u>18,229</u>	<u>44,581</u>
	(22,292)	121,012
Change in non-cash operating working capital items		
Accounts receivable	187,138	(74,386)
Prepays	14,810	26,438
Accounts payable and accruals	342,460	(58,421)
Unearned fees	<u>174,651</u>	<u>(61,918)</u>
	<u>696,767</u>	<u>(47,275)</u>
Financing		
Deferred lease inducement	<u>(5,968)</u>	<u>(14,322)</u>
Investing		
Cash from matured investments	166	169,446
Purchase of capital assets	(1,710)	(36,764)
Joint venture amortization adjustment	<u>(2,340)</u>	<u>(7,601)</u>
	<u>(3,884)</u>	<u>125,081</u>
Net increase in cash	686,915	63,484
Cash		
Beginning of period	<u>498,587</u>	<u>435,103</u>
End of period	<u>\$ 1,185,502</u>	<u>\$ 498,587</u>

See accompanying notes to the consolidated financial statements.

The Society of Management Accountants of Manitoba

Notes to the Consolidated Financial Statements

August 31, 2015

1. Purpose and objectives

The Society of Management Accountants of Manitoba (the Society) is a non-profit, professional organization, incorporated pursuant to the *Society of Industrial and Cost Accountants Act* which received Royal Assent in the Province of Manitoba April 26, 1947. The Society continued under the *Certified Management Accountants Act* (December 1, 2004).

The Society is a non-share capital corporation with voting privileges restricted to its members as defined in the Society's By-Laws.

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 Society, the Certified General Accountants Association of Manitoba (CGA Manitoba), and the Institute of Chartered Accountants of Manitoba (CA Manitoba) as one corporate body under the name Chartered Professional Accountants of Manitoba (CPA Manitoba).

All the net assets of the Society together with those of CGA Manitoba and CA 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 CA Foundation was controlled by its accounting body prior to July 1, 2015.

Regional education

The Society, 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.

Delivery of the CMA Strategic Leadership Program has now been completed with the final sessions being held in March 2015. The candidates presented their team Board Reports in June 2015. Those candidates who were not successful had a final opportunity in the fall of 2015 to successfully complete the program. CMA candidates who do not successfully complete the Strategic Leadership Program will be provided a transition opportunity into the CPA programs.

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

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

(b) Investments

Investments, which comprise guaranteed investment certificates and bonds, are initially recognized at fair value, and subsequently measured at amortized cost.

(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 software	1 year
Building improvements	10 years
Signs	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.

(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 consists of interest income received plus accrued interest earned from the anniversary date to the period end.

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

3. Summary of significant accounting policies - continued

(f) **Donated services**

The work of the Society 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.

4. Accounts receivable

	<u>August 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
CPA Canada and other accounting bodies	\$ 83,235	\$ 314,528
Member and other receivables	80,626	41,353
Interest	9,245	7,013
Government remittances	<u>5,843</u>	<u>3,193</u>
	<u>\$ 178,949</u>	<u>\$ 366,087</u>

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

5. Financial instruments

The Society's financial instruments consist of cash, short term investments, accounts receivable, long term investments, accounts payable and accruals. The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all financial assets and liabilities at amortized cost.

	<u>August 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Bonds	\$ 148,503	\$ 148,669
GICs	<u>493,706</u>	<u>493,706</u>
	642,209	642,375
Less: investments maturing within 12 months	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 542,209</u>	<u>\$ 542,375</u>

The Society manages its exposure to the risks associated with financial instruments through governance policies regarding members' equity positions and long term investment guidelines. Specifically, the Society invests in long term funds of fixed income securities that have a rating of AA (mid) or higher from at least two nationally recognized rating agencies.

Investment and other income is composed of the following:

	<u>August 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Interest from cash	\$ 4,976	\$ 23,521
Interest and dividends from pooled funds	1,163	8,226
Realized gains on sales of investments	2,796	7,374
Unrealized (losses) gains on investments	(8,559)	17,361
Other non investment income	<u>4,840</u>	<u>5,142</u>
	<u>\$ 5,216</u>	<u>\$ 61,624</u>

The Society of Management 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	\$ 90,778	\$ 19,742	\$ 90,778	\$ 14,638
Computer equipment	44,950	31,892	43,241	28,368
Computer software	56,064	56,064	56,064	56,064
Leasehold improvements	247,793	27,635	247,793	20,701
Building improvements	5,403	495	5,403	270
Signs	2,410	221	2,410	120
	<u>\$ 447,398</u>	<u>\$ 136,049</u>	<u>\$ 445,689</u>	<u>\$ 120,161</u>
Net book value	<u>\$ 311,349</u>		<u>\$ 325,528</u>	

7. Accounts payable and accruals

	<u>August 31, 2015</u>	<u>March 31, 2015</u>
Accounts payable	\$ 50,158	\$ -
Accruals and other	22,910	56,237
Other accounting bodies	447,849	124,777
Government remittances	2,557	-
	<u>\$ 523,474</u>	<u>\$ 181,014</u>

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

8. CPA Manitoba Joint Venture

On April 1, 2014, a Joint Venture Agreement was signed by the Society, the Institute and CGA Manitoba to form an unincorporated joint venture, CPA Manitoba Joint Venture. The Society's proportionate share of the CPA Manitoba Joint Venture's assets, liabilities, revenue, expenses, excess revenue and cash flows from operation, investing and financing activities is determined as the total number of certified management accountant members of the Society divided by the sum of the total number of certified management accountant members of CMA Manitoba, the total number of chartered accountant members of the Institute, and the total number of certified general accountant members of CGA Manitoba as at the effective date and annually thereafter. The Society's share as at April 1, 2015 was 25.6% (April 1, 2014 - 25.4%).

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

9. Lease obligations and other commitments

Office space

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

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

2016	\$	25,064
2017		42,966
2018		42,966
2019		44,756
2020		50,127
2021-2028		<u>474,415</u>
	\$	<u>680,294</u>

University support

The Society has entered into an agreement during fiscal 2009/2010 to provide \$250,000 to the University of Winnipeg Foundation. These funds will be applied to the capital cost of construction of the University's new Faculty of Business and Economics, and to the funding of CMA tuition scholarships. The contribution will be made in annual payments of \$25,000 for ten (10) years - \$24,000 per annum towards the 460 Portage Project and \$1,000 per annum for student awards.

The Society also has an agreement to provide \$25,000 payments annually to the University of Manitoba with the purpose of supporting activities that will directly advance CMA Manitoba student enrollment.

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

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,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Opening balance	\$ 196,927	\$ 211,249
Amortization	<u>(5,968)</u>	<u>(14,322)</u>
Closing balance	<u>\$ 190,959</u>	<u>\$ 196,927</u>

11. Disclosure of controlled entity

On November 30, 2010, the Certified Management Accountants of Manitoba Foundation Inc. (the Foundation) was established with a purpose to support the advancement of post-secondary education within the Province of Manitoba, including, but not limited to, the provision of grants to post-secondary educational institutions within Manitoba and of scholarships, bursaries, and other benefits directly or indirectly to students and candidates at post-secondary institutions. The Foundation was a registered charitable organization under the Income Tax Act of Canada.

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

The Society of Management Accountants of Manitoba
Notes to the Consolidated Financial Statements
August 31, 2015

12. Pre-certification education programs

The revenue and expense includes the Society'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,</u> <u>2015</u>	March 31, <u>2015</u>
CPA PREP	\$ 46,119	\$ 110,205
CGA and CMA legacy programs	<u>189,509</u>	<u>1,115,539</u>
	<u>\$ 235,628</u>	<u>\$ 1,225,744</u>

Expense

	<u>August 31,</u> <u>2015</u>	March 31, <u>2015</u>
CPA PREP	\$ 46,635	\$ 47,805
CGA and CMA legacy programs	149,572	564,098
National education and pre-requisite initiatives	<u>1,007</u>	<u>6,789</u>
	<u>\$ 197,214</u>	<u>\$ 618,692</u>

13. Comparative figures

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