The Institute of Chartered Accountants of Manitoba

Consolidated Financial Statements

For the Year Ended March 31, 2015

Independent Auditors' Report

TO THE MEMBERS,
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 March 31, 2015 and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year 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 as at March 31, 2015 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.

Winnipeg, Manitoba
May 28, 2015

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

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

Consolidated Statement of Financial Position as at March 31

	2015	2014
Assets		
Current		
Cash	**$ 515,300**	$ 611,500
Accounts receivable (note 4)	**378,100**	463,100
Prepaids	**28,600**	32,800
	922,400	1,107,400
Long term investments (note 5)	**1,288,100**	1,166,700
Capital assets (note 8)	**583,200**	594,200
	$2,793,300	$2,868,300
Liabilities		
Current		
Accounts payable and accruals (note 9)	**$ 572,500**	$ 495,100
Unearned fees	**307,000**	565,500
	879,500	1,060,600
Deferred lease inducements (note 11)	**335,300**	359,700
	1,214,800	1,420,300
Net Assets		
Internally restricted (note 12)	**256,100**	534,200
Unrestricted	**1,322,400**	913,800
	1,578, 500	1,448,000
	$2,793,300	$2,868,300

Commitments (note 10)

Approved by Council

David Loewen, FCA
President & Chair

Heather D. Reichert, FCA
Secretary-Treasurer

The accompanying notes form part of the statements.

Consolidated Statement of Operations
For the Year Ended March 31

	2015	2014 (note 15)
Revenue		
Member fees	**$2,310,600**	$2,268,800
Less national fees and assessment	**863,500**	800,400
	1,447,100	1,468,400
Pre-certification education programs (note 13)	**2,094,400**	610,700
Member education and events	**375,200**	311,600
Practitioner assessments and practice review	**180,900**	226,600
Investment and other (note 5)	**105,300**	178,900
	4,202,900	2,796,200
Expense		
Salaries and benefits	**1,451,700**	992,700
Pre-certification education programs (note 13)	**1,127,000**	222,500
Office operations	**445,100**	232,200
Member education, events and services	**369,500**	304,000
External communications and student recruitment	**355,800**	416,100
Governance	**173,700**	172,600
Amortization	**76,200**	146,400
Regulatory	**73,400**	85,900
	4,072,400	2,572,400
Excess revenue	**$ 130,500**	$ 223,800

Consolidated Statement of Changes in Net Assets
For the Year Ended March 31

	Internally Restricted (note 12)	**Unrestricted**	**2015**	2014
Net assets, beginning of year	$534,200	$ 913,800	**$1,448,000**	$1,224,200
Excess revenue (expense)	(48,900)	179,400	**130,500**	223,800
Transfer from internally restricted	(41,100)	41,100	**-**	-
Investment in capital assets	(188,100)	188,100	-	-
Net assets, end of year	$256,100	$1,322,400	**$1,578,500**	$1,448,000

The accompanying notes form part of the statements.

Consolidated Statement of Cash Flows

For the Year Ended March 31

	2015	2014
Operating Activities		
Cash Receipts		
Member fees	**$1,423,000**	$1,681,700
Member programs and events	**667,900**	570,500
Investment and other	**26,500**	47,600
	2,117,400	2,299,800
Cash Disbursements	**2,377,700**	2,374,200
	(260,300)	(74,400)
Investing Activities		
Investments acquired	**(107,800)**	(92,500)
Investments sold	**83,800**	269,800
Capital assets acquired	**(177,700)**	(471,500)
	(201,700)	(294,200)
Financing Activities		
Lease inducements	**365,800**	-
	365,800	-
Change in cash	**(96,200)**	(368,600)
Cash, beginning of year	**611,500**	980,100
Cash, end of year	**$ 515,300**	$ 611,500

The accompanying notes form part of the statements.

The Institute of Chartered Accountants of Manitoba

Notes to Consolidated Financial Statements for the Year Ended March 31, 2015

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*.

2. 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) Long term 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
• Leasehold improvements	Over the life of the lease
• Computer database system	3 years
• Building improvements	10 years
• Sign	10 years

d) Deferred lease inducements
Lease inducements are amortized on a straight line basis over the life of the lease.

e) Revenue recognition
Member fees, practitioner 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.

3. CPA Manitoba Joint Venture

The Institute along with the Society of Management Accountants of Manitoba (CMA Manitoba) and the Certified General Accountants Association of Manitoba (CGA Manitoba) are working towards the creation of a united accounting body in Manitoba aligned with the Chartered Professional Accountants of Canada which was established on January 1, 2013. Formation of the new accounting body, Chartered Professional Accountants of Manitoba (CPA Manitoba) is to be established by legislation.

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 the total number of certified general accountant members of CGA Manitoba as at the effective date. The Institute's share as at April 1, 2014 (the effective date) was 43.4%.

Prior to April 1, 2014, a two-way joint venture agreement with CMA Manitoba had been in place. The Institute's share as at July 1, 2013 (the effective date) was 63%.

The proportionate allocation is to be recalculated each April 1 until the Joint Venture Agreement ceases. The Joint Venture will cease upon the proclamation of the new legislation forming CPA Manitoba.

4. Accounts receivable

	2015	2014
Provincial bodies, CPA Canada and other accounting bodies	**$329,900**	$ 47,600
Member and other receivables	**32,000**	49,700
Government remittances	**16,200**	-
Lease incentive	**-**	365,800
	$378,100	$463,100

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:

	2015	2014
Canadian fixed income funds	**$ 387,500**	$ 331,200
Equity funds	**716,900**	673,500
Canadian real estate funds	**183,700**	162,000
	$1,288,100	$1,166,700

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 2.0% (2014-2.6%), with maturity dates ranging from 3 to 20 years.

5. Financial instruments *continued*

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 2.3% (2014-2.8%) and an average duration of 2 years.

Approximately 42% (2014-48%) of the fixed income funds consist of mortgage investments. The mortgage portfolio is diversified across regional markets, with 42% (2014-46%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 37% (2014-38%) being retail mortgages, 20% (2014-23%) being industrial mortgages, and the remainder being office, residential and other. These investments have a weighted average yield of 2.0% (2014-3.1%) and a duration of 4.1 years (2014-4.1 years).

The equity funds invest predominantly 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.

The Institute's equity funds include the following currencies:

	2015	2014
Canadian	**$412,100**	$411,300
U.S.	**181,000**	139,000
Various European	**78,600**	81,000
Japanese	**23,400**	20,300
Other	**21,800**	21,900
Total Market Value	**$716,900**	$673,500

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 54% (2014-54%) of the portfolio was located in Ontario, with the remainder spread across Canada and 50% (2014-51%) was invested in office real estate.

Investment and other income is composed of the following:

	2015	2014
Interest from cash	**$ 40,200**	$ 32,400
Interest and dividends from pooled funds	**14,000**	21,300
Realized gains on sales of investments	**12,600**	45,200
Unrealized gains on investments	**29,700**	63,100
Other non investment income	**8,800**	16,900
	$105,300	$178,900

The Institute manages its exposure to the risks associated with financial instruments that have the 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.

6. Disclosure of controlled entity

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

The Foundation has not been consolidated in the Institute's financial statements. Financial summaries are as follows:

Financial Position

	2015	2014
Total assets	**$2,755,100**	$2,600,200
Total liabilities	**-**	3,800
Net assets	**$2,755,100**	$2,596,400

Net assets comprise restricted funds of $2,385,400 (2014-$2,214,600) and general funds of $369,700 (2014-$381,800). The restricted funds are managed by the Foundation as directed by the donors in accordance with Board approved criteria to provide bursaries, student awards, benevolence and member education.

Results of Operations

	2015	2014
Total revenue	**$308,000**	$423,000
Total expenditure	**149,300**	135,000
Excess revenue	**$158,700**	$288,000

Cash Flows

	2015	2014
Cash used in operations	**$(56,800)**	$ (43,500)
Cash from (used in) investing activities	**52,600**	(94,400)
Change in cash	**$ (4,200)**	$(137,900)

7. Related party information

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 the 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.

CASB's assets are for the sole use of CASB. The Agreement between CASB and the participating Institutes provides for CASB's net assets to be distributed to qualified donees, as defined in the *Income Tax Act*, chosen by the participating Institutes, proportionate to the number of CASB registrants resident in the province of that participating Institute at the date of the most recent CASB year end.

CA Insurance Plans West

CA Insurance Plans West (CAIPW) is responsible for the operation of Chartered Accountants' benefit plans for the Institutes of Chartered Accountants of Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories and Yukon. CAIPW is a not-for-profit organization under the *Income Tax Act*. The Manitoba Institute 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 $34,500 (2014-$35,100). 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. During the year, CAIPW changed its name to CPA Insurance Plans West and began to offer its programs to members of all three accounting bodies.

8. Capital assets

	Cost	Accumulated Amortization	Net Book Value 2015
Office furniture and equipment	$271,400	$124,400	**$147,000**
Computer equipment	106,000	79,100	**26,900**
Leasehold improvements	432,700	36,000	**396,700**
Computer database system	41,000	41,000	-
Building improvements	9,200	500	**8,700**
Sign	4,100	200	**3,900**
	$864,400	$281,200	**$583,200**

	Cost	Accumulated Amortization	Net Book Value 2014
Office furniture and equipment	$263,700	$ 98,800	$164,900
Computer equipment	98,600	61,500	37,100
Leasehold improvements	398,800	6,600	392,200
Computer database system	41,000	41,000	-
Communication initiatives	8,500	8,500	-
	$810,600	$216,400	$594,200

9. Accounts payable and accruals

	2015	2014
Accounts payable	**$130,400**	$167,100
Government remittances	**-**	19,400
Accruals and other	**442,100**	308,600
	$572,500	$495,100

10. 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 -	$ 73,200
2017 -	73,200
2018 -	73,200
2019 -	76,200
2020 -	85,300
2021-2028 -	807,800
	$1,188,900

University support

During the year, the Institute made the final payment toward its $500,000 commitment to the Asper School Downtown Campus and Executive Development Program. The payment is included in external communications.

The pledge was funded by a special assessment of members.

11. Deferred lease inducements

In 2011, the Institute received lease inducements for its previous location which included leasehold improvements, free rent and reimbursement of certain costs. These were fully amortized in 2014.

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.

	Tenant Inducements	Reduced Rent and Cost Recoveries	Total
Balance, March 31, 2013	$133,300	$19,200	$**152,500**
Additions during the year	365,800	-	**365,800**
Amortization	(139,400)	(19,200)	**(158,600)**
Balance, March 31, 2014	$359,700	$ -	**$359,700**
Amortization	(24,400)	-	**(24,400)**
Balance, March 31, 2015	$335,300	$ -	**$335,300**

Amortization of lease inducements is included in office operations.

12. Internally restricted net assets

Internally restricted net assets includes two components - investment in capital assets and restricted for implementation of strategic plans.

	Investment in Capital Assets	Strategic Initiatives	Total
Balance, March 31, 2013	$ 52,100	$41,100	**$ 93,200**
Excess expense	(30,500)	-	**(30,500)**
Investment in capital assets	471,500	-	**471,500**
Balance, March 31, 2014	$493,100	$41,100	**$534,200**
Excess expense	(48,900)	-	**(48,900)**
Investment in capital assets less lease inducement	(188,100)	-	**(188,100)**
Transfer to unrestricted	-	(41,100)	**(41,100)**
Balance, March 31, 2015	$256,100	$ -	**$256,100**

During the past year, Council unresticted assets previously restricted for strategic initiatives.

13. Pre-certification education programs

The revenue and expense includes the Institute's proportionate share of the CPA Pre-Requisite Education Program (PREP), which commenced in 2014, and the CGA and CMA legacy education programs. The final offerings of the CGA and CMA programs are expected to be completed in September 2015.

Revenue	**2015**	2014
CPA PREP	**$ 188,300**	$ 69,400
CGA and CMA legacy programs	**1,906,100**	541,300
	$2,094,400	$610,700

Expense	**2015**	2014
CPA PREP	**$ 81,700**	$ 27,700
CGA and CMA legacy programs	**1,033,700**	189,900
National education and pre-requisite initiatives	**11,600**	4,900
	$1,127,000	$222,500

14. Merger events

Merger of accounting bodies (note 3)

The three accounting bodies in Manitoba have been working with the Government of Manitoba in drafting legislation which would amalgamate the Institute, CGA Manitoba, and CMA Manitoba into CPA Manitoba.

On December 1, 2014, Bill 9 – *The Chartered Professional Accountants Act* received First Reading in the Manitoba Legislature. The Bill received Second Reading on May 28, 2015.

The Manitoba Government has indicated its intention to deal with the Bill as expeditiously as possible. It is expected that the Bill will receive passage during the Spring Session and will be proclaimed sometime during the year 2015-16. At that time, CPA Manitoba will be formed. As well, the Institute would cease to exist as *The Chartered Accountants Act* will be repealed at that time.

All of the net assets of the Institute together with those of CGA Manitoba and CMA Manitoba will be merged into CPA Manitoba once Bill 9 is proclaimed.

Merger of accounting foundations

Similar to the amalgamation of the three accounting bodies, the CA and CMA Foundations and the CGA Scholarship Trust Fund are seeking to merge the two Foundations and the Scholarship Trust Fund into a new body to be known as the CPA Manitoba Foundation. The CPA Foundation is expected to be formed effective July 1, 2015.

The CMA Foundation and CGA Scholarship Trust Fund are controlled by their respective accounting bodies.

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 CA 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. The CA School of Business is seeking to change its name to the CPA Western School of Business.

15. Comparative figures

Certain amounts for 2014 have been reclassified to conform with the presentation adopted in the current year.