

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA
Consolidated Financial Statements
Nine Month Period Ended March 31, 2015

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA
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Nine Month Period Ended March 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Certified General Accountants Association of Manitoba

We have audited the accompanying consolidated financial statements of The Certified General Accountants Association of Manitoba, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of revenues and expenditures, changes in net assets and cash flow for the nine month 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.

Auditor's 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 entity'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 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 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 Certified General Accountants Association of Manitoba as at March 31, 2015 and the results of its operations and its cash flow for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Manitoba
May 28, 2015

CERTIFIED GENERAL ACCOUNTANTS

Thornton & Co.

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Consolidated Statement of Financial Position

March 31, 2015

| | <i>March 31</i> 2015 | <i>June 30</i> 2014 |
|--|--------------------------------|-------------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 2,980,098 | \$ 2,913,688 |
| Accounts receivable | 74,366 | 92,809 |
| Inventory | 70,149 | 56,054 |
| Due from government agencies | - | 22,010 |
| Prepaid expenses | 45,831 | 59,574 |
| Due from related parties <i>(Note 9)</i> | 122,130 | 192,380 |
| | 3,292,574 | 3,336,515 |
| TANGIBLE CAPITAL ASSETS <i>(Note 5)</i> | 408,828 | 453,818 |
| LONG TERM INVESTMENTS <i>(Note 6)</i> | 291,300 | 300,699 |
| | \$ 3,992,702 | \$ 4,091,032 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable | \$ 1,528,564 | \$ 1,125,901 |
| Due to government agencies | 53,827 | - |
| Deferred income | 587,101 | 1,244,045 |
| | 2,169,492 | 2,369,946 |
| NET ASSETS | | |
| Invested in capital assets | 408,828 | 453,819 |
| Unrestricted fund | 1,414,382 | 1,267,267 |
| | 1,823,210 | 1,721,086 |
| | \$ 3,992,702 | \$ 4,091,032 |

ON BEHALF OF THE BOARD

_____ Governor

_____ Governor

The accompanying notes are an integral part of these financial statements

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Consolidated Statement of Revenues and Expenditures

Nine Month Period Ended March 31, 2015

| | <i>March 31</i> 2015 <i>(9 months)</i> | <i>June 30</i> 2014 <i>(12 months)</i> |
|---|---|---|
| REVENUE | | |
| Member dues | \$ 1,222,401 | \$ 1,603,517 |
| National assessment | 435,301 | 547,065 |
| | <u>787,100</u> | <u>1,056,452</u> |
| Pre-certification education | 1,217,160 | 3,699,619 |
| Member education and events | 215,729 | 483,213 |
| Practising office assessments and practice review | 96,362 | 110,485 |
| Investment and other income | 53,433 | 52,440 |
| | <u>1,582,684</u> | <u>4,345,757</u> |
| | <u>2,369,784</u> | <u>5,402,209</u> |
| EXPENSES | | |
| Amortization | 39,006 | 79,002 |
| External communications and student recruitment | 191,338 | 328,441 |
| Governance | 78,475 | 137,758 |
| Member education, events and services | 250,568 | 429,646 |
| Office occupancy and operations | 243,764 | 482,815 |
| Pre-certification education | 638,702 | 2,204,713 |
| Regulatory | 38,502 | 25,013 |
| Salaries and benefits | 787,305 | 1,659,468 |
| | <u>2,267,660</u> | <u>5,346,856</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$ 102,124</u> | <u>\$ 55,353</u> |

The accompanying notes are an integral part of these financial statements

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Consolidated Statement of Changes in Net Assets

Nine Month Period Ended March 31, 2015

| | Invested in Capital Assets | Unrestricted Fund | March 31 2015 | June 30 2014 |
|---|-------------------------------|----------------------|------------------|-----------------|
| NET ASSETS - BEGINNING OF PERIOD | \$ 453,819 | \$ 1,267,267 | \$ 1,721,086 | \$ 1,639,750 |
| Excess of revenue over expenses | (39,006) | 141,130 | 102,124 | 55,353 |
| Invested in tangible capital assets | (5,985) | 5,985 | - | 25,983 |
| NET ASSETS - END OF PERIOD | \$ 408,828 | \$ 1,414,382 | \$ 1,823,210 | \$ 1,721,086 |

The accompanying notes are an integral part of these financial statements

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Consolidated Statement of Cash Flow

Nine Month Period Ended March 31, 2015

| | <i>March 31</i> 2015 <i>(9 months)</i> | <i>June 30</i> 2014 <i>(12 months)</i> |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 102,124 | \$ 55,353 |
| Item not affecting cash: | | |
| Amortization of tangible capital assets | <u>39,006</u> | <u>79,002</u> |
| | <u>141,130</u> | <u>134,355</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | 18,443 | (60,835) |
| Inventory | (14,095) | 16,296 |
| Accounts payable | 402,662 | 402,226 |
| Deferred income | (656,944) | (243,161) |
| Prepaid expenses | 13,743 | 17,626 |
| Due to government agencies | <u>75,837</u> | <u>(13,185)</u> |
| | <u>(160,354)</u> | <u>118,967</u> |
| Cash flow from (used by) operating activities | <u>(19,224)</u> | <u>253,322</u> |
| INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | 5,985 | - |
| Long term investments | <u>9,399</u> | <u>49,869</u> |
| Cash flow from investing activities | <u>15,384</u> | <u>49,869</u> |
| FINANCING ACTIVITY | | |
| Advances from related parties | <u>70,250</u> | <u>2,878</u> |
| INCREASE IN CASH FLOW | 66,410 | 306,069 |
| Cash - beginning of period | <u>2,913,688</u> | <u>2,607,619</u> |
| CASH - END OF PERIOD | <u>\$ 2,980,098</u> | <u>\$ 2,913,688</u> |

The accompanying notes are an integral part of these financial statements

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

1. PURPOSE OF THE ORGANIZATION

The Certified General Accountants Association of Manitoba is the professional body of 3,700 Manitoba accountants and is affiliated with the Certified General Accountants Association of Canada. The mission of the Association is "empowering members to excel in a changing professional environment".

2. INCORPORATION

The Certified General Accountants Association of Manitoba was incorporated May 25, 1973 without share capital, by an Act of the Province of Manitoba. The Association is to be carried on without pecuniary gain to its members. Any profits or other accretions are to be used in promoting its objectives.

The Association was designated a non-profit organization and is exempt from income tax under paragraph 149(1)(l) of the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the accounts of CGA Manitoba 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.

Interest in CPA Manitoba Joint Venture

The Association accounts for its interest in the CPA Manitoba Joint Venture using the proportionate consolidation method. The Association'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.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible Capital assets

Tangible capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

| | | |
|------------------------|-------------------|----------------------|
| Computer equipment | 3 years | straight-line method |
| Leasehold improvements | term of the lease | straight-line method |
| Furniture and fixtures | 5 years | straight-line method |
| Building improvements | 10 years | straight-line method |
| Buildings | 40 years | straight-line method |
| Sign | 10 years | straight-line method |
| Parking lot | 10 years | straight-line method |
| Computer software | 2 years | straight-line method |

In the year of acquisition, amortization is provided for at one-half the normal rate except for software and software in development.

Investments and other non-cash assets

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary income from investments, receivables, and similar assets is accounted for in the fund owning the assets, with the exception of income derived from investment of endowments funds. Unrestricted endowment fund investments are accounted for as revenue of the operation fund or, if they are restricted, as deferred amounts until the terms of the restriction have been met.

Other investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Revenue recognition

The Association follows the deferral method for accounting for revenue. Student tuition and fees are recognized as revenue in the fiscal year in which the courses are taken. Member dues are recognized as revenue in the fiscal year in which they become due.

Use of Estimates

The preparation of financial statements in conformity 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 amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair market value, the value of contributed services is not recognized in the financial statements.

4. CPA MANITOBA JOINT VENTURE

The Association along with the Institute of Chartered Accountants of Manitoba (Institute) and the Society of Management Accountants of Manitoba (CMA 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 Association, the Institute and CMA Manitoba to form an unincorporated joint venture, CPA Manitoba Joint Venture. The Association'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 certified general accountant members of the Association divided by the sum of the total number of Certified General Accountant members of the Association, the total number of Chartered Accountant members of the Institute and the total number of Certified Management Accountant members of CMA Manitoba as at the effective date. The Association's share as at April 1, 2014 (the effective date) was 31.2%.

Prior to April 1, 2014 a two-way joint venture agreement between the Institute and CMA Manitoba had been in place. The Association was not a party to that agreement.

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

5. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | March 31 2015 Net book value | June 30 2014 Net book value |
|------------------------|---------------------|-----------------------------|---------------------------------------|--------------------------------------|
| Land | \$ 140,894 | \$ - | \$ 140,894 | \$ 140,894 |
| Buildings | 561,744 | 452,757 | 108,987 | 120,260 |
| Building improvements | 180,437 | 124,558 | 55,879 | 74,731 |
| Computer equipment | - | - | - | 1,622 |
| Computer software | 221,506 | 221,506 | - | - |
| Furniture and fixtures | 497,890 | 459,275 | 38,615 | 57,862 |
| Leasehold improvements | 29,618 | 2,236 | 27,382 | 23,781 |
| Sign | 49,257 | 12,186 | 37,071 | 34,668 |
| Parking lot | 14,170 | 14,170 | - | - |
| | <u>\$ 1,695,516</u> | <u>\$ 1,286,688</u> | <u>\$ 408,828</u> | <u>\$ 453,818</u> |

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

6. LONG TERM INVESTMENTS

| | <i>March 31</i> 2015 | <i>June 30</i> 2014 |
|---|--------------------------------|-------------------------------|
| Guaranteed investment certificates | \$ 291,265 | \$ 300,664 |
| Investment - CGA Shared Services Facility Corp. | <u>35</u> | <u>35</u> |
| | \$ 291,300 | \$ 300,699 |

The Association owns a 39.8% interest in the CGA Shared Services Facility Corp.

7. NET ASSETS

According to our Act of Incorporation, any surplus obtained shall be solely devoted to and applied towards promoting and carrying out our objectives in accordance with our Act of Incorporation and by-laws and shall not be divided among members. Net assets are required to be maintained within the established range with the objective of maintaining a strong financial position while simultaneously sustaining our status as a non-taxable organization.

8. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities.

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

9. RELATED PARTY TRANSACTIONS

The Association has contributed \$0 (2014 - \$17,900) to The Certified General Accountants Association of Manitoba Scholarship Trust Fund. There is an amount receivable of \$57,046 (2014 - \$32,604) from The Certified General Accountants Association of Manitoba Scholarship Trust fund which has no specific terms of repayment.

The Association paid fees for services of \$51,981 (2014 - \$77,025) to CGA Shared Services Facility Corp., a corporation under significant influence of the Association. The Shared Services Facility Corp. paid the Association for administration and maintenance services of \$65,084 (2014 - \$159,776). There is an amount receivable of \$65,084 (2014 - \$159,776) from CGA Shared Services Facility Corp. which has no specific terms of repayment.

All transactions with related parties are recorded at the exchange amount as agreed to by the related parties and are based on the estimated fair value of the goods and services provided.

10. CONTROLLED ENTITY

The Certified General Accountants Association of Manitoba controls The Certified General Accountants Association of Manitoba Scholarship Trust Fund. The Scholarship Trust Fund was established by the Association in 1989 for the purpose of providing recognition of excellence and financial assistance to students in accounting and finance. It is a registered charity under the Income Tax Act.

The financial statements of The Certified General Accountants Association of Manitoba do not consolidate financial information pertaining to The Certified General Accountants Association of Manitoba Scholarship Trust Fund.

11. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF MANITOBA

Notes to Consolidated Financial Statements

Nine Month Period Ended March 31, 2015

12. MERGER EVENTS

Merger of Accounting Bodies

The three accounting bodies in Manitoba have been working with the Government of Manitoba in drafting legislation which would amalgamate the Association, the Institute and CMA Manitoba into the Chartered Professional Accountants of Manitoba (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. At that time, Chartered Professional Accountants of Manitoba will be formed. As well, the Association would cease to exist as the Certified General Accountants Act will be repealed at that time.

All of the assets and liabilities of the Association together with all of the assets and liabilities of the Institute and CMA Manitoba will be merged into the assets of CPA Manitoba once Bill 9 is proclaimed.

Merger of Accounting Foundations

Similar to the amalgamation of the three accounting bodies, the CGA Scholarship Trust Fund and the CA and CMA Foundations are seeking to merge the Scholarship Trust Fund and the two foundations into a new body to be known as the CPA Manitoba Foundation.

The CA and CMA Foundations are controlled by their respective accounting bodies.

Regional Education

The CPA Manitoba Joint Venture is in the process of developing an Education Agreement to replace an 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.

Delivery of the CGA Program of Professional Studies will wind up with a final offering of CGA courses and exams in the summer session of 2015. Thereafter, CGA student services will be maintained until 2020 to support practical experience and degree completion only. CGA students who do not complete the CGA Program of Professional Studies with the final September 2015 exam offering will be provided a transition opportunity into the CPA programs.
