



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
MANITOBA

2018-2019

Audited Financial Statements

Independent Auditors' Report

To the Members of
Chartered Professional Accountants of Manitoba

Opinion

We have audited the financial statements of the Chartered Professional Accountants of Manitoba (CPA Manitoba), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CPA Manitoba as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CPA Manitoba in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises CPA Manitoba's annual report.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The annual report is expected to be made available to use after the date of the auditors report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CPA Manitoba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CPA Manitoba or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CPA Manitoba's financial reporting process.

Independent Auditors' Report - continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPA Manitoba's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CPA Manitoba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CPA Manitoba to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Winnipeg, Canada
May 16, 2019

Chartered Professional Accountants

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

March 31

2019

2018

Assets

Current

Cash	\$ 4,517,466	\$ 3,921,701
Short-term investments (Note 4)	138,480	151,800
Accounts receivable (Note 3)	108,822	218,001
Prepays	98,428	103,125
Due from related parties (Note 10)	<u>1,789,694</u>	<u>26,828</u>

6,652,890 4,421,455Long-term investments (Note 4) **4,904,153** 4,814,031

Investment in related party - 35

Capital assets (Note 5) **1,227,671** 1,145,158**\$ 12,784,714** **\$ 10,380,679****Liabilities**

Current

Accounts payable and accruals (Note 6)	\$ 1,262,549	\$ 1,049,905
Unearned fees (Note 7)	<u>4,366,772</u>	<u>2,564,326</u>

5,629,321 3,614,231Deferred lease inducement (Note 9) **507,574** 559,632**6,136,895** 4,173,863**Net Assets**Invested in capital assets **705,670** 581,939Unrestricted **4,442,149** 5,624,877Internally restricted - CPA Manitoba Foundation **800,000** -Internally restricted - information technology initiatives **700,000** -**6,647,819** 6,206,816**\$ 12,784,714** **\$ 10,380,679**

Commitments and Guarantee (Note 8)

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

2019

2018

Revenue

Member fees	\$ 5,499,544	\$ 5,361,587
Less national fees and assessment	<u>(2,106,705)</u>	<u>(2,005,148)</u>

	3,392,839	3,356,439
Member education, events and services	1,061,941	1,054,692
Pre-certification	703,169	316,627
Practicing office assessments and practice review	485,170	486,405
Investment (Note 4)	294,975	249,226
Other	<u>231,041</u>	<u>160,686</u>

	<u>6,169,135</u>	<u>5,624,075</u>
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Expense

Salaries and benefits	2,440,406	2,528,219
Office occupancy and operations	935,237	826,331
Member education, events and services	897,818	737,914
External communications and student recruitment	612,780	487,081
Regulatory	423,242	245,210
Amortization	189,742	159,293
Pre-certification	119,403	94,771
Governance	<u>109,504</u>	<u>116,085</u>

	<u>5,728,132</u>	<u>5,194,904</u>
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Excess of revenue over expense	<u>\$ 441,003</u>	<u>\$ 429,171</u>
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See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Changes in Net Assets

Year ended March 31

	Invested in capital assets	Unrestricted	CPA Manitoba Foundation (Note 11)	Internally restricted - information technology initiatives (Note 11)	Total 2019	Total 2018
Net assets, beginning of year	\$ 581,939	\$ 5,624,877	\$ -	\$ -	\$ 6,206,816	\$ 5,777,645
Excess (deficiency) of revenue over expense	(137,684)	578,687	-	-	441,003	429,171
Investment in capital assets	261,415	(261,415)	-	-	-	-
Interfund transfer	-	(1,500,000)	800,000	700,000	-	-
Net assets, end of year	\$ 705,670	\$ 4,442,149	\$ 800,000	\$ 700,000	\$ 6,647,819	\$ 6,206,816

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba
Statement of Cash Flows

Year ended March 31

2019

2018

Operating

Member fees and pre-certification	\$ 4,107,038	\$ 3,461,645
Member education, events and services	1,053,493	1,228,086
Practicing office assessments and practice review	495,240	483,906
Investment and other	400,022	235,382
Cash disbursements	<u>(5,275,622)</u>	<u>(5,479,637)</u>
	<u>780,171</u>	<u>(70,618)</u>

Financing

Repayment from related party	15,590	18,568
Investment in related parties	35	-
Lease inducements	<u>-</u>	<u>162,425</u>
	<u>15,625</u>	<u>180,993</u>

Investing

Purchase of investments	(595,078)	(1,173,705)
Proceeds on sale of investments	656,462	280,524
Purchase of capital assets	<u>(261,415)</u>	<u>(45,160)</u>
	<u>(200,031)</u>	<u>(938,341)</u>

Net increase (decrease) in cash**595,765** (827,966)**Cash**

Beginning of year	<u>3,921,701</u>	<u>4,749,667</u>
End of year	<u>\$ 4,517,466</u>	<u>\$ 3,921,701</u>

See accompanying notes to the financial statements.

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2019

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
Computer equipment	3 years
Website	3 years
Office equipment	5 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, 2019

2. Summary of significant accounting policies - continued

(d) Revenue recognition

Member fees, practicing office assessments and practice review and pre-certification 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>2019</u>	<u>2018</u>
CPA bodies	\$ 83,668	\$ 167,904
Member and other	4,401	17,152
Interest	<u>20,753</u>	<u>32,945</u>
	<u>\$ 108,822</u>	<u>\$ 218,001</u>

Chartered Professional Accountants of Manitoba**Notes to the Financial Statements**March 31, 2019

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>2019</u>	<u>2018</u>
Investments measured at amortized cost:		
Guaranteed investment certificates	<u>\$ 138,480</u>	<u>\$ 290,280</u>
Pooled fund investments measured at fair value:		
Canadian fixed income funds	1,814,537	1,636,443
Equity funds	2,452,076	2,431,286
Canadian real estate funds	<u>637,540</u>	<u>607,822</u>
	<u>4,904,153</u>	<u>4,675,551</u>
	<u>\$ 5,042,633</u>	<u>\$ 4,965,831</u>
Short-term investments:		
Guaranteed investment certificates	<u>\$ 138,480</u>	<u>\$ 151,800</u>
Long-term investments:		
Guaranteed investment certificates	-	138,480
Pooled funds	<u>4,904,153</u>	<u>4,675,551</u>
	<u>4,904,153</u>	<u>4,814,031</u>
	<u>\$ 5,042,633</u>	<u>\$ 4,965,831</u>

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2019

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 include bond funds - 60% (2018 - 60%), mortgage funds - 38% (2018 - 37%), and other - 2% (2018 - 3%). The bond funds are diversified by sector, industry, and credit quality. These investments have a market yield range of 2.4% - 3.0% (2018 - 2.6% - 3.1%) and a duration range of 8.4 to 9.9 years (2018 - 8.4 to 9.7 years).

The mortgage funds are diversified by type and location. These investments have a market yield of 3.0% (2018 - 3.2%) and a duration of 4.7 years (2018 - 5.2 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>2019</u>	<u>2018</u>
Canadian	\$ 1,471,246	\$ 1,402,665
U.S.	490,415	514,311
Various European	314,307	313,215
Japanese	90,727	96,330
Other	<u>85,381</u>	<u>104,765</u>
Total fair value	<u>\$ 2,452,076</u>	<u>\$ 2,431,286</u>

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2019

4. Financial instruments - continued

The real estate funds consist of income producing real estate properties diversified by both location and type. Approximately 60% (2018 - 56%) of the portfolio is located in Ontario, with the remainder spread across Canada. A total of 43% (2018 - 44%) is invested in office real estate.

Investment income is composed of the following:

	<u>2019</u>	<u>2018</u>
Interest from cash and guaranteed investment certificates	\$ 32,255	\$ 35,594
Interest and dividends from investments	124,535	87,290
Net realized gains on sales of investments	82,666	120,090
Net unrealized gains on investments	<u>55,519</u>	<u>6,252</u>
	<u>\$ 294,975</u>	<u>\$ 249,226</u>

Guaranteed investment certificates bear interest at effective interest rates ranging from 2.56% to 2.57% (2018 - 2.25% to 2.65%) and mature in December 2019 (2018 - July 2018 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 investment policy. The objective of these policies is to reduce volatility in cash flow and earnings. CPA Manitoba does not use derivative financial instruments to manage its risk.

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
 March 31, 2019

5. Capital assets

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Leasehold improvements	\$ 1,144,816	\$ 337,536	\$ 1,124,836	\$ 252,900
Furniture	415,693	205,338	408,465	198,544
Computer equipment	245,996	210,854	223,993	193,470
Website	184,935	30,822	-	-
Office equipment	125,188	105,427	123,212	91,861
Signs	2,039	1,019	2,039	612
	<u>\$ 2,118,667</u>	<u>\$ 890,996</u>	<u>\$ 1,882,545</u>	<u>\$ 737,387</u>
Net book value	<u>\$ 1,227,671</u>		<u>\$ 1,145,158</u>	

6. Accounts payable and accruals

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 145,092	\$ 155,513
Accruals and other	226,438	182,701
CPA accounting bodies	705,300	581,691
Government remittances	185,719	130,000
	<u>\$ 1,262,549</u>	<u>\$ 1,049,905</u>

7. Unearned fees

	<u>2019</u>	<u>2018</u>
Member fees	\$ 2,575,496	\$ 2,501,596
Student and course module fees (Notes 10 and 12)	1,734,757	-
Other	56,519	62,730
	<u>\$ 4,366,772</u>	<u>\$ 2,564,326</u>

Chartered Professional Accountants of Manitoba
Notes to the Financial Statements
March 31, 2019

8. Commitments and Guarantee

Office space

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

The following schedule includes future lease payments under this lease:

2020	\$ 226,436
2021	226,436
2022	226,436
2023	226,436
2024	234,523
2025-2029	<u>1,229,224</u>
	<u>\$ 2,369,491</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 \$12,350.

Communication services agreements

CPA Manitoba has various communication agreements through to March 2021 totaling \$73,336. The annual commitment is \$27,086 for two years and \$19,164 in the final year.

Software services agreement

In 2018, CPA Manitoba entered into an agreement for software licensing and data hosting through to March 31, 2022. The remaining commitment is \$290,250.

University support

CPA Manitoba and the Chartered Professional Accountants of Manitoba Foundation Inc. (CPA Foundation) agreed to a 10 year commitment to provide \$100,000 annually to the I.H. Asper School of Business for the purposes of upgrading classrooms and increasing enrollment. CPA Manitoba's portion of this commitment is \$50,000 which is paid annually to the CPA Manitoba Foundation. The third payment of \$50,000 was made during the year. The remaining commitment of \$350,000 is included in internally restricted net assets.

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, 2019, 2 (2018 - 3) students have loans outstanding totaling \$13,962 (2018 - \$13,114). Since inception, no defaults have been incurred. No additional loans are being made under this agreement.

Chartered Professional Accountants of Manitoba**Notes to the Financial Statements**March 31, 2019

9. 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>2019</u>	<u>2018</u>
Opening balance	\$ 559,632	\$ 611,690
Amortization	<u>(52,058)</u>	<u>(52,058)</u>
Closing balance	<u>\$ 507,574</u>	<u>\$ 559,632</u>

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

10. Related party information**CPA Foundation**

CPA Manitoba has significant influence over the CPA Foundation through its complimentary mandate and shared members and staff. CPA Manitoba's CEO serves as an ex-officio member of the CPA Foundation Board. CPA Manitoba provides office space and staff support for various initiatives. The CPA Foundation was established on July 1, 2015 to support the pursuit of business and accounting education. The CPA Foundation is incorporated under *The Corporations Act of Manitoba* and is a registered charity under the *Income Tax Act*.

During the year, CPA Manitoba collected \$120,138 (2018 - \$54,669) in contributions and event revenue on behalf of the CPA Foundation. Salary costs totaling \$51,040 (2018 - \$45,008) were recovered from the CPA Foundation. Payments made to the CPA Foundation include university support payments of \$50,000 (2018 - \$100,000), an operating grant of \$50,000 (2018 - \$Nil), and contributions of \$Nil (2018 - \$3,340).

CGA Shared Services Facility Corp. (SSF)

SSF was wound up February 11, 2019. CPA Manitoba, the remaining shareholder as of this date, received \$63,661. This amount is recorded in other revenue.

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, 2019

10. Related party information - continued

CPAWSB Western School of Business (CPAWSB)

CPAWSB is responsible for delivering pre-certification education for students and candidates in the four western provinces and the territories, in accordance with an agreement established on September 29, 2015. Effective June 1, 2018, the western CPA provincial bodies approved changes to its governance structure. The Board of Directors of CPAWSB is now composed of the CEOs from the four western provinces.

CPAWSB 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 \$831,523 (2018 - \$271,879) 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 \$165,590 (2018 - \$173,332).

Due from related parties

At March 31 the following amounts were receivable from related parties:

	<u>2019</u>	<u>2018</u>
CPA Foundation	\$ 11,238	\$ 26,828
CPAWSB	<u>1,778,456</u>	<u>-</u>
	<u>\$ 1,789,694</u>	<u>\$ 26,828</u>

The amounts receivable from CPA Foundation are unsecured and have no specific terms of repayment. The amounts receivable from CPAWSB are unsecured. Terms of repayment are provided for in the operating agreement (Note 12).

Chartered Professional Accountants of Manitoba

Notes to the Financial Statements

March 31, 2019

11. Internally Restricted Net Assets

During the year, the Board internally restricted \$800,000 of net assets to support the CPA Manitoba Foundation and post-secondary institutions. An additional \$700,000 was internally restricted for information technology initiatives.

12. Subsequent events

Effective April 1, 2019, the four western provinces and CPAWSB have entered into two new agreements. Under the new operating agreement, CPAWSB will deliver education on behalf of the western provinces. CPA Manitoba will receive revenue collected from Manitoba registered learners. Expenses will be allocated based on the number of learners of each province.

CPAWSB collected annual student and course module fees of \$1,734,757 on behalf of CPA Manitoba prior to year-end. This amount is recorded as deferred revenue with a corresponding amount in due from related parties.
