



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
BRITISH COLUMBIA

Chartered
Professional
Accountants
of British Columbia

2019-2020 ANNUAL REPORT

TABLE OF CONTENTS

Message from the Leadership	4
CPABC's Five Strategic Pillars	6
Financial Performance	18
Financial Risks and Risk Management	20
Non-Financial Risks and Risk Management	21
Capability to Deliver Results	23
Net Assets	24
Outlook for 2020/21	25
2019-2020 CPABC's Board of Directors	27
Financial Statements	29
Notes to Financial Statements	36

MESSAGE FROM THE LEADERSHIP

By Ben Sander, FCPA, FCA and Lori Mathison, FCPA, FCGA, LLB

This year, our major initiatives were aligned with CPABC's three-year rolling strategic plan, and continued to enhance the protection of the public, member and student services, and operational effectiveness.

Protecting the public

As BC's only regulatory body for professional accountants, we continued to focus on protecting the public and acting in the public interest. Our policies and procedures ensured CPABC was a proactive, effective, and transparent regulator. Our approach also ensured that CPABC positively impacted our province beyond regulation, and included various initiatives that promoted the quality of BC's business environment, and enabled access to financial education-focused resources.

Meeting market demand

We also partnered with the provincial government to ensure there are sufficient CPAs to meet market needs. We conducted a labour market study that forecasted demand by demographics, career lifecycle, and general economic growth. This study assessed the entire accounting sector and included the need and prevalence of both designated and undesignated accountants in BC's economy.

The labour market study also assessed the impact of critical trends that will shape the profession, such as technology. The insight gained from this undertaking will help inform our recruitment strategies as well as the continuing education needs of our members.

National collaboration

Our senior staff continued to work with their colleagues across the country on issues critical to the profession.

Working across the west, we implemented a new commercial structure for the CPA Western School of Business, which created better alignment between the provinces and the school, and improved services to candidates and students.

CPABC continued to contribute to the national Digital Transformation strategy and increased awareness, activities, and resources to support members coping with technological disruptions.

And branding efforts continued to build recognition and awareness of the CPA designation. The national and provincial campaigns profiled CPA leaders working in non-traditional roles.

Corporate accountability

Lastly, internal technology and data analytics were a top priority. CPABC implemented many security measures to safeguard its information assets and systems, and continued enhancements to the cybersecurity plan were undertaken to protect member and organizational data.

We previously assessed and built a blueprint for effectively utilizing data analytics. This past year we operationalized the program and moved the organization to a data-driven decision making environment to provide better member services.

As the fiscal year came to a close, the COVID-19 pandemic hit, and CPABC had to quickly pivot, close the office, and have staff work from home in order to ensure their safety.

Looking ahead we will continue to protect the public and prioritize delivering the services that best support our members in their careers, helping them succeed and deliver value for their firms, clients, and companies. This is more important than ever as members come to terms with working and delivering services with ongoing restrictions related to physical distancing and other health measures that will be in place for the foreseeable future. Through this work, we will continue to enable the public to access professional accounting services.

DATED June 24, 2020



Ben Sander, FCPA, FCA
CPABC BOARD CHAIR



Lori Mathison, FCPA, FCGA, LLB
PRESIDENT AND CEO



Vision

The Canadian CPA is the pre-eminent, globally respected business and accounting designation

CPABC'S FIVE STRATEGIC PILLARS

In 2019/20, CPABC implemented its rolling three-year Strategic Plan, which is refreshed annually, to ensure the organization remains on course to deliver on the CPABC Vision, and incorporates the following five strategic pillars:

PROTECT

CPABC will protect the public by implementing regulation effectively.

DELIVER

CPABC will deliver sufficient and appropriately skilled CPAs to meet market demand. It will implement effective recruitment programs that make the profession attractive and accessible to a diverse group of candidates and ensure excellence in its education programs.

SUPPORT

CPABC will support the needs of its members and students by providing relevant and valued services, including high-quality education.

LEAD

CPABC will provide leadership on business and accounting matters to the public and profession by promoting thought leadership, and providing a valued contribution in national collaboration.

ACCOUNT

CPABC will discharge its mandate in a responsible, transparent, and proactive manner by developing and delivering efficient and effective governance, operations, fiscal, and human resource management.



Chartered Professional Accountants of BC Mission

CPABC enhances the influence, relevance, and value of the Canadian CPA profession by:

- » Protecting the public interest;
- » Supporting its members and students; and
- » Contributing to economic and social development



Robert Mearns designed a First Nations moon for CPABC, as it is "credited with providing direction, vision and guidance," which the artist and we felt was a most appropriate Indigenous symbol to represent our organization.

PROTECT

Partnership with Government

For more than 100 years, the accounting profession in British Columbia has provided exceptional and effective self-regulation of its members on behalf of the province.

To that end, over the past year members of the executive team met with both the government and opposition caucus, and key members of the bureaucracy in order to ensure the provincial government was aware of developments within the accounting profession both here and abroad.

And recognizing the government's priorities and the significance of the United Nations Declaration on Indigenous Rights legislation, CPABC began developing an Indigenous strategy that seeks to grow awareness of the profession within Indigenous communities and encourage more Indigenous people to become CPAs.

Transparent and Accountable Regulation

CPABC is proud of its proactive approach to regulation and considers protecting the public its core mandate, and does so by enforcing the highest professional and ethical standards.

CPA members recognize that a well regulated profession benefits everyone.

Given the significance of this responsibility, CPABC produced an Annual Regulatory Report to the Public that summarized the regulatory activities of the prior fiscal year.

CPABC's regulatory processes are described on the CPABC website, as are the outcomes of investigation and discipline proceedings.

Membership

CPABC only admitted those applicants who met the rigour of the CPA certification process or met the requirements of a CPA international agreement, and provided satisfactory evidence that they were of good character.

The majority of CPABC's members worked in industry in a variety of roles – from entry level to the C-Suite – in every sector of the economy.

Public Practice

Approximately 20% of CPAs worked in public practice, which included 4,081 members licensed to provide public practice services. These members were practitioners and partners who operated in 2,753 public practice offices in BC. Over 98.4% of CPA firms were owned by fewer than five professional accountants.

Practice reviews are carried out over a three-year cycle with 858 taking place this past year.

Continuing Professional Development

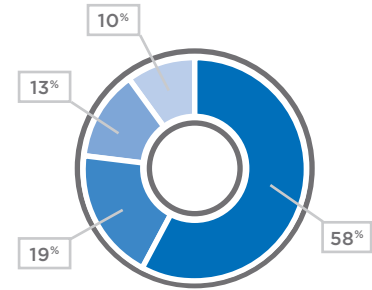
Ongoing education was an important aspect of regulation and active CPAs were required to report CPD.

Over the course of the CPD three-year rolling reporting cycle, active CPAs were required to ensure at least four of their reported verifiable hours related to professional ethics, and were required to report compliance with CPD on a calendar year basis. Those who did not comply ultimately had their memberships cancelled.

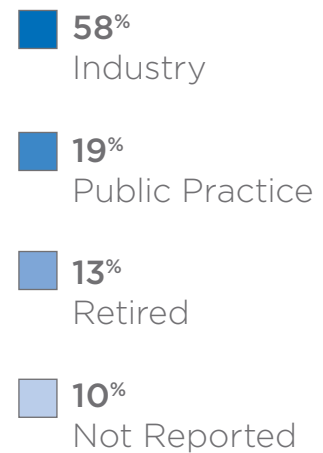
Discipline Process

CPABC investigated complaints received about members and students.

Where grounds were found for breaches of the bylaws or rules, most complaints were dealt with through education and course work, which ensured that members were better equipped to serve the public. In rare instances there was a fine, suspension, or cancellation of membership.



Where CPAs Work





5,649

students were
enrolled in the
CPA PEP program

1,655

people were
enrolled in the
CPA preparatory
courses

DELIVER

An Evolving Economy

BC worked with its national and provincial partners to ensure the CPA programs (CPA Professional Education program and CPA preparatory courses) met the needs of students, and provided the competencies required by employers. Given the prevalence of emerging and disruptive technologies, the CPA profession focused on evolving to meet these changing business conditions.

Labour Market Challenges

Market demand for CPAs remained high, and with a tight labour market, employers found it challenging to recruit the talent they needed. As CPABC is the only educator of professional accountants, attracting quality people to the profession and meeting this demand is critical.

In order to recruit and retain talent, more employers partnered with the CPA profession. CPABC's CareerConnect Employment Partner Program has seen impressive growth over the past two years.

Recruitment at the Forefront

Extensive outreach and activities were undertaken to reach and inform potential students and employers, and to support existing CPA employers in their recruitment efforts.

Interest in the CPA profession continued to be strong and was driven by a provincial advertising campaign that focused on reaching people in the workforce who were considering a career change, those who were in post secondary considering their career options, and those who were responsible for deciding to hire or train CPAs.

Student Achievement

Those who decided to pursue a career in accounting enrolled with the CPA Western School of Business (CPAWSB) for both the CPA PEP and preparatory courses. The school served British Columbia, Alberta, Saskatchewan, Manitoba, Yukon, the Northwest Territories and Nunavut.

Student success rates in the programs were good and the profession continued to grow, with 643 members admitted to membership by way of the CPA Common Final Examination (CFE).



643

members admitted
to membership by
way of the CPA
Common Final
Examination (CFE).



16 CPABC chapters held
110 social networking
events with
4,655 registrations and
78 local PD courses
attracting
5,780 registrations.

The Member
Engagement Tour held
18 sessions with over
1,389 members.

SUPPORT

CPAs must meet ongoing professional development requirements in order to maintain their designation. This sets the profession apart from others working in business.

High-quality and relevant education, services, and resources directly supported and enhanced the regulatory compliance of CPABC's members.

These resources were also critical in ensuring members stayed current with industry trends, employer expectations and requirements, and professional news.

Professional Development

Demand for CPABC's PD products remained strong, with 1,123 course offerings and 35,890 registrations. This included 14 free PD sessions attended by 2,895 members.

PD titles addressed the needs of members in both public practice and industry, and included more than 35 new course titles. These included: Blockchain and Emerging Technologies; Robotic Process Automation; Cyber Security and Awareness; Ethical Leadership in the Age of AI; ASPE – Construction Industry; PST – Review of Jurisdictional Sales Tax; and US Tax Reform – Implications for Canadian Businesses.

Live stream courses and webcasts using video conferencing technology allowed members from across the province to access courses remotely. CPABC also successfully launched a new PD Portal, and the program is primarily paperless except by member choice.

While in-person registrations saw a slight dip year-over-year by 3%, this was made up for by the growth in in-house registrations up 34% over last year, and online registrations, which increased by 6% over last year.

Feedback was sought after each PD course to ensure quality education and to garner ideas for new courses.

Engagement and Services

A sampling of the member support tools included:

- » 16 CPABC chapters held 110 social networking events with 4,655 registrations and 78 local PD courses attracting 5,780 registrations.
- » The Member Engagement Tour held 18 sessions with over 1,389 members.
- » Approximately 1,544 telephone enquiries from members were handled by Professional Advisors.
- » 55 member forum events were held.
- » All members could access benefit and savings programs, such as the [Employee and Family Assistance Program](#) and numerous national and provincial benefits.
- » The [CPABC Careers site](#) saw record-breaking demand from employers seeking to hire CPAs and CPA students.
- » A new Women in the Profession web portal was launched with curated information about available career resources, profiles on women role models, and relevant articles.
- » Ensuring members were aware of programs and services was a substantial undertaking. Information was provided through the member magazine, CPABC in Focus, bi-weekly newsletters, the website, and social media.

Member Satisfaction

Member satisfaction with the services provided was a critical performance indicator.

Overall, 72% of members who responded to the members' survey rated the communications from CPABC positively (20% were neutral). The majority of survey respondents, 63%, rated their overall experience with CPABC positively (27% were neutral) and 87% had trust in CPABC as a regulator (9% were neutral).



A new [Women in the Profession](#) web portal was launched with curated information about available career resources, profiles on women role models, and relevant articles.

BC Advertising Campaign



BC advertising featuring member Faye Evangelista, CPA, CA

LEAD

Leadership in the profession

CPAs across the country played a vital role in leading business. Here in BC, CPAs worked in every sector of the economy and helped drive business insights, creating value for their organizations.

This year's national advertising campaign highlighted the diversity of industries and roles being held by CPAs, as well as their leadership and strategic thinking. CPABC actively contributed to this strategy.

Provincial Leadership

Provincial advertising materials and content featured the national campaign as well as content specific to BC. Our storytelling focused on entrepreneurialism, innovation, and public health initiatives where CPAs were playing significant roles.

In addition, CPABC produced editorial commentary and press releases on a number of provincial thought leadership initiatives, such as BC Check-Up, the Regional Check-Up, CPA Business Outlook Survey, RRSP and Tax Tips, and Budget recommendations.

And several high-profile sponsorships positioned CPABC as a business leader within the province and provided information regarding the profession to government and business leaders.

National Leadership

The CPA profession also demonstrated leadership by collaborating on the Council of Chief Executives, Public Trust Committee and sub-committees, CPA Professional Education Management Committee, Board of Examiners, Branding Committee and sub-committees, Member Advisory Services Committee and sub-committees, Professional Learning and Development Strategy Committee and sub-committees, and Information Technology Committee.

Photos Opposite: 1 BC Budget Recap with Greater Vancouver Board of Trade **2** BC Business Summit **3** We For She Conference **4** BIV Influential Women in Business Awards **5** CPABC CareerConnect Employer Showcase **6** Member Engagement Tour **7** Convocation 2019



1



2



3



4



5



6



7



CPABC was named one of BC's Top Employers for 2020, which is a special designation that recognizes employers in BC that lead their industries in offering exceptional places to work.

ACCOUNT

Governance and Leadership

CPABC's Board of Directors was comprised of three public representatives appointed by the provincial government and 17 CPAs, 15 were elected while two were initially elected and then had their three-year term extended under the bylaws given their leadership positions.

At the governance level, the national CPA Collaboration Accord governed how the independent national body, CPA Canada, and independent CPA provincial bodies worked together. The profession focused on harmonizing approaches (where appropriate) to common core elements and key functions.

Given this level of collaboration, CPABC staff and volunteers took on key roles to ensure that BC influenced the national direction.

Talent Management

In order to be an employer of top talent, CPABC strove to understand and meet the needs of its team and fostered a healthy and supportive culture. CPABC was recognized with the Corporate Award of Merit by Human Synergistics Canada in 2016 and again in 2018. This award recognizes organizations that have developed and maintained a constructive culture.

Constructive cultures place a high value on service and product quality, goal attainment, and the development of their people. Based on the last team cultural survey, CPABC's employees were very satisfied with working here, intend to stay, and would recommend the organization as a good place to work.

CPABC was also named a Top Employer for BC in 2020.

Systems and Processes

CPABC maintained robust internal accounting and administrative control systems at a reasonable cost, and met the requirements of regulation, such as the Freedom of Information and Privacy Act and the Canadian Anti-Spam Legislation.

Such systems provided reasonable assurance that the financial information was relevant, reliable, and accurate, and that CPABC's assets were appropriately accounted for and adequately safeguarded. CPABC believed there were no mission-critical systems, controls, procedures, or deficiencies that impaired its ability to provide reliable and timely disclosure, or affected its ability to execute the strategic and operational plans. CPABC continued to improve and enhance the functionalities of newly integrated systems



CPABC was recognized with the Corporate Award of Merit by Human Synergistics Canada in 2016 and 2018, which recognizes organizations that have developed and maintained a constructive culture.

FINANCIAL PERFORMANCE

In 2019/20, CPABC generated a net deficit of \$1,144,000 compared to a surplus of \$3,673,000 in the prior year. The deficit was planned and in line with expectations as we reinvest in the profession, and was largely due to:

- » Unrealized losses experienced in March, 2020 due to impact of the COVID-19 pandemic on the market resulting in a net investment loss of \$1,375,000 for the year compared to investment income of \$1,136,000 in the prior year;
- » Net contribution or recoveries from CPAWSB of \$2,705,000 compared to \$3,673,000 in the prior year;
- » Support of strategic initiatives for the profession, such as the development of the Indigenous Initiative in BC as well as national projects such as Foresight: Reimagining the Profession and the Collaboration Accord Task Force; and
- » Initiatives such as data analytics that will enhance the organization's operational effectiveness and support for members.

Revenues

Total revenue in 2019/20 for the CPABC profession was \$49,991,000 compared to \$34,604,000 in the prior year.

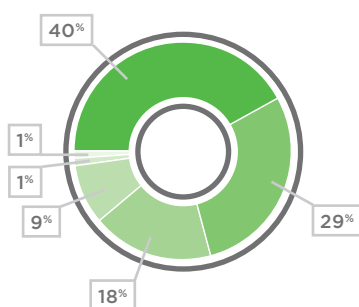
The new operating agreement with CPA Western School of business (CPAWSB) came into effect April 1, 2019 designating CPAWSB as an agent delivering education on behalf of the four western provinces. As a result, the portion of student annual dues and module fees pertaining to BC students and candidates are now recorded on CPABC's financial statements. Student annual dues and module fees (\$21,223,000) accounted for 42% of the 2019/20 revenues.

Aside from the student dues and module fees other significant sources of funding for the profession's programs and services were membership dues (\$14,454,000), professional development revenue (\$8,889,000), and public practice revenue (\$3,600,000), which represented 29%, 18%, and 7% of revenues respectively.

Expenditures

Total expenditures in 2019/20 for CPABC were \$51,135,000, compared to \$30,931,000 in the prior year. As a result of the new Operating Agreement with CPAWSB mentioned above, expenses incurred by CPAWSB in the delivery of education on behalf of CPABC were also recorded in CPABC's financial statements (Student Education Program expenses in the amount of \$18,846,000). In addition, the higher expenses in 2019/20 reflect new initiatives, such as the development

of the Indigenous Initiative strategy and the expansion of the Financial Literacy program, both of which will have significant positive impact on BC communities, and internal initiatives, such as data analytics, which will enhance the organization's effectiveness and provide insights enabling better member support and services.

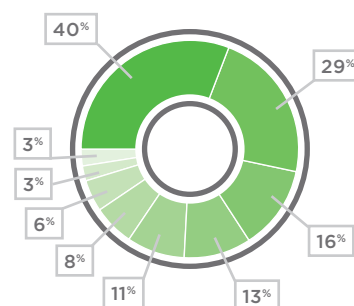


2019/20 Revenues

- 42%** Student Annual Dues and Module Fees
- 29%** Membership Dues
- 18%** Professional Development
- 9%** Public Practice and Regulatory Affairs
- 1%** Member Services and Event
- 1%** Other Revenue

Total Revenues

2019/20	\$49,991,000
2018/19	\$34,604,000



2019/20 Expenditures

- 40%** Student Education Program
- 29%** Membership Dues
- 16%** Professional Development
- 13%** Administration Support & IT
- 11%** Public Practice and Regulatory Affairs
- 8%** External Affairs and Communications
- 6%** Member Services and Engagement
- 3%** Governance and Executive Office
- 3%** Student Recruiting and Employer Relations

Total Expenditures

2019/20	\$51,135,000
2018/19	\$33,931,000

FINANCIAL RISKS AND RISK MANAGEMENT

CPABC's revenues were derived primarily from three sources:

- » Student annual dues and module fees were 42% of total revenue with a net contribution of \$2,377,000. The profession must ensure the CPA education program continues to be accessible and attractive to students and meet the needs of employers in order to attract sufficient recruits to meet market demand.
- » Member dues were 29% of total revenue and funded many critical programs. With many members close to retirement, increasing both membership numbers and member satisfaction is critical for maintaining sustainable levels.
- » The professional development program accounted for 18% of CPABC's total revenue. Introducing new products has financial risks due to uncertain participation rates and the potential for competition. CPABC manages these risks by collaborating with other CPA bodies, conducting advanced market research and pilot offerings, and targeting its marketing.

One significant funding risk is related to CPABC's role as a regulator. Discipline cases can be complex and have unpredictable costs, causing uncertainty in terms of time, effort, and resources. CPABC has no control over these variables. To mitigate this risk, the Board established the Protection of the Public Reserve to ensure funding is available for CPABC to fulfil its regulatory mandate.

In the normal course of business, CPABC was exposed to financial risks, such as those related to credit, liquidity, and market, that have the potential to adversely affect operating and financial performance. For an explanation of CPABC's exposure to the risks associated with its financial instruments, refer to the notes to the audited financial statements for the year ended March 31, 2020.

NON-FINANCIAL RISKS AND RISK MANAGEMENT

Regulatory

There were several risks associated with regulation of members and adherence to new standards that CPABC actively mitigated throughout the course of the year.

CPABC had representatives on national regulatory committees. Accounting regulation is harmonized wherever possible across Canada, which enhances the profession's adoption of best practices. However, this means that CPAs must stay abreast of emerging accounting and assurance standards, and must be aware of and adapt to regulatory change in a timely manner.

There is a risk that members will not put in the effort required to manage the increasing complexity and volume of standards changes. To mitigate this, CPA Canada and the provincial bodies provided tools and support to help members adjust to evolving standards and maintain the quality of their work.

In addition, CPABC focused on member education to ensure awareness and compliance during times of regulatory change, and monitored the quality of the work performed by public practitioners through practice review with a goal of helping them deal with the increased complexity.

In terms of managing and ensuring compliance of members, CPABC worked with volunteers (members and public representatives) to effectively deliver its regulatory mandate: maintaining admission, licensing, and mandatory continuing education requirements; conducting reviews of public practice firms; investigating complaints; and disciplining members, firms, and students.

To mitigate the risks associated with the use of volunteers in such a critical area, CPABC ensured that those participating on regulatory committees at both the staff and volunteer levels had an appropriate level of expertise.

With the exception of the Disciplinary Committee, which received most of its powers directly from the CPA Act, CPABC's Board played a very active role in the oversight of regulatory committees.

Regulatory (continued)

Oversight activities included:

- » Appointing a board member to be a liaison officer for each of the key regulatory committees.
- » Approving governance policies that determined how the committees were to operate.
- » Approving all committee appointments.
- » Having regular updates on committee activities throughout the year.
- » Requiring committee chairs attend a board meeting and formally present the activities of the committee at least annually.

Attracting Students

The CPA PEP focused on growth while maintaining its excellent reputation. However, there was a risk that the program would not attract sufficient applicants. The profession monitored the program to ensure CPA PEP evolved to meet or exceed standards expected by the marketplace and was accepted by both employers and candidates/students.

There was an additional risk this year as the September 2019 Common Final Examination (CFE) had significant technical problems at different writing centres across Canada. A comprehensive review was undertaken to ensure the validity of the results. CPA Canada actively worked to mitigate any impact on reputation; however, this issue could impact the attractiveness of the program for potential candidates.

CPA Brand

CPAs worked in every sector of the economy and provided insight and guidance on many significant financial decisions. They operated in a complex, fluid, and changing environment where public and government expectations could shift with respect to financial reporting, transparency, and the role of auditors.

One of CPABC's members or firms could come under the media spotlight in a negative way, which could have a negative impact on the CPA brand and the reputation of the profession. CPABC monitored media daily to assess how CPAs and CPABC was being portrayed in the media.

CPABC Operations

When looking at delivery of services, CPABC relied on the services of volunteers to complete many of its planned projects and regulatory responsibilities. The talent and expertise of volunteers are among its most valuable resources.

There is always some risk that volunteers may not be as willing or able to donate their time and CPABC could eventually incur a significant cost in trying to replace lost expertise. To mitigate this risk, CPABC ensured positive and rewarding experiences for volunteers and created flexible volunteer opportunities.

Human resources is a key element of success for any organization, and ensuring employee engagement is critical. To mitigate the risk of high staff turn over, CPABC offered a high-quality work environment with a competitive total compensation package.

CAPABILITY TO DELIVER RESULTS

During 2019/20, CPABC used cash flows from operating activities of \$5,822,000, while investing activities generated cash flows of \$3,884,000 resulting in a net decrease in cash of \$1,938,000.

At March 31, 2020, cash and investments available to the organization totalled \$35,376,000 (2019 - \$44,364,000), a reduction of \$8,988,000 largely due to a deferral of collection activities regarding member dues and timing of receipts from CPAWSB.

The primary objective of CPABC's investment policy was preservation of capital, with secondary objectives of maximizing return on investments, providing sufficient liquidity to allow the organization to meet its changing cash requirements, and cash flow generation.

The goal was to achieve an annual return that exceeds a benchmark based on the asset allocation weighting.

CPABC believes its current cash and short-term investments, combined with the anticipated cash flow from operations, are sufficient to meet the working capital and capital expenditure requirements for the foreseeable future.

NET ASSETS

The net assets available are as follows:

	March 31, 2020	March 31, 2019
Total unrestricted net assets	\$13,107,000	\$14,336,000
Invested in tangible and intangible assets	2,912,000	2,827,000
Protection of the Public Reserve	2,500,000	2,500,000
Fee Stabilization Fund	1,000,000	1,000,000
Strategic opportunity fund	6,567,000	6,567,000
Total Net Assets	\$26,086,000	\$27,230,000

In 2019/20, the total capital expenditures were \$858,000, of which \$496,000 related to computer hardware and software purchases and \$287,000 for leasehold improvements.

The decrease in the total Net Assets of CPABC reflects the net deficit generated by the organization in 2019/20, which was planned and in line with expectations as we reinvest in the profession. In 2014/15, the respective Boards and Council of the legacy bodies internally restricted amounts for the Strategic Opportunity Fund (\$6,567,000) for projects benefiting the profession and its members and students.

In 2017/18, the Board internally restricted \$2,500,000 for the Protection of the Public Reserve, which is comprised of those resources to offset unexpected costs in the event of a significant disciplinary case that could not be absorbed within the operational budget. The Board also internally restricted \$1,000,000 for the Fee Stabilization Fund to set aside resources to maintain stable provincial member fees that could otherwise be impacted by one-time operational priorities.

The Board and management believe the net assets of the profession are sufficient to:

- Provide the financial capital needed to meet any unexpected financial risks CPABC may encounter in the near future; and
- Maintain reasonable stability in the annual membership dues payable by members.

OUTLOOK FOR 2020/21

Looking ahead, CPABC will leverage off the accomplishments of this past year, and will continue programs started in 2019/20, such as data analytics and planned strategic initiatives. It will also continue to enhance the protection of the public, member and student services, and operational effectiveness.

COVID-19 Effects

This fiscal year ended with considerable strain and unprecedented challenges to businesses and individuals. In response to the COVID-19 pandemic, the provincial government enacted emergency measures to combat the spread of the virus. These measures, which included the implementation of a travel ban, self-imposed isolation, and physical distancing will have a significant impact on the next fiscal year, and will affect the types of services and programs that CPABC is able to deliver.

While challenging, the organization is well positioned to manage through the pandemic, as CPABC was able to quickly pivot and adapt to the conditions. Staff are effectively working from home, and will continue to protect the public, deliver member services, and maintain a strong fiscal position.

Working with government

In the upcoming year, CPABC will further support and contribute to relevant provincial government priorities, acting in the public interest.

CPABC's initiatives to develop an Indigenous strategy and enhance the financial literacy program will have a positive impact in BC communities as well as being highly aligned with the priorities of the provincial government.

CPABC will also focus on finding ways to support the government's anti-money laundering (AML) activities including reviewing areas of potential enhancement in the practice inspection program with regards to AML legislation, and developing additional resources for members.

The organization will also be actively working with other business organizations to advise government on how best to support the economy through the COVID crisis.

Protecting the public and supporting members

With a firm focus on protecting the public, CPABC will also facilitate the implementation of the national professional liability insurance recommendations. To better support members, CPABC will be implementing a learning management system to better meet members' changing preference for on-line learning and content. The learning management system will enhance member experience and additional on-line content will better serve members in remote communities.

There will also be an emphasis on providing programming that helps members advise their employers and clients on government COVID supports and programs.

Meeting Market Demand

Our recently concluded Labour Market study told us that we must continue to grow the profession, which means that we need to be thinking broadly about different sources of new members.

We also need to ensure those enrolled in the program have the right skills and employers must be aware of training opportunities.

From our member survey, less than half of our members are aware of the two available training routes – pre-approved program and experience verification. For this upcoming year, CPABC will continue to build awareness of the programs, with particular focus on the experience verification route, with increased outreach to employers.

The profession will also be undertaking an evolution of pre-certification education and the next phase of Foresight.

Looking ahead, CPABC will be focused on critical strategic initiatives that support members into the future.

2019-2020 CPABC'S BOARD OF DIRECTORS



Ben Sander, FCPA, FCA
Chair



Geoff Dodds, CPA, CA
First Vice-Chair



Karen Horcher, FCPA,
FCGA
Second Vice-Chair



Sheila Nelson, CPA, CA
Treasurer



Chris Burnley, FCPA, FCA
Director



Paul Challinor, CPA, FCA
Director



Lisa Ethans, FCPA, FCA
Director



Chris Gimpel, CPA, CA
Director



J. Alain LeFebvre, FCPA,
FCA
Director



Josie Lim, CPA, CA
Director



John Mackenzie, CPA, CA
Director



Jeanette McPhee, CPA, CA
Director



Matt Murray, CPA, CMA
Director



Stuart Newton, CPA, CA
Director



Martha Thomas, CPA, CA
Director



Emily Thorner, CPA, CA
Director



Peter Tingling, CPA, CGA
Director



Elizabeth Jackson
Public Representative



Bereket Kebede
Public Representative



Grace Wong
Public Representative

FINANCIAL STATEMENTS

Management responsibility for financial reporting

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of the **Chartered Professional Accountants of British Columbia (CPABC)**. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of CPABC. Management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis and are properly approved, resulting in the presentation of reliable financial information. Such information also includes numbers based on management's best estimate and judgment.

The Audit Committee (the "Committee") reviews the annual financial statements and recommends them to the Board of Directors for its approval. In addition, the Committee meets periodically with management and the external auditor. The Committee reports directly to the Board of Directors and reviews the annual report in its entirety.

The accompanying financial statements have been audited by the external auditor, who is engaged by the Board of Directors, on the recommendation of the Committee, and whose appointment was approved by the members at the annual general meeting. The external auditor has access to the Committee, without management present, to discuss the results of the audit.

DATED June 24, 2020



Lori Mathison, FCPA, FCGA, LLB
PRESIDENT AND CEO



Amy Y. Lam FCPA, FCA
**EXECUTIVE VICE PRESIDENT,
CORPORATE SERVICES AND
CHIEF FINANCIAL OFFICER**



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600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Independent Auditor's Report

To the Members of Chartered Professional Accountants of British Columbia

Opinion

We have audited the accompanying financial statements of the Chartered Professional Accountants of British Columbia, which comprise the Statement of Financial Position as at March 31, 2020, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chartered Professional Accountants of British Columbia as at March 31, 2020, 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.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Chartered Professional Accountants of British Columbia 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 the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Chartered Professional Accountants of British Columbia'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 the Chartered Professional Accountants of British Columbia or to cease operations, or has no realistic alternative but to do so.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Those charged with governance are responsible for overseeing the Chartered Professional Accountants of British Columbia's financial reporting process.

Auditor's 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 auditor's 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 the Chartered Professional Accountants of British Columbia'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 the Chartered Professional Accountants of British Columbia's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Chartered Professional Accountants of British Columbia 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 24, 2020

Statement of Financial Position

As at March 31, 2020

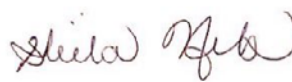
All in \$000's

	2020	2019
		(Note 18)
ASSETS		
Current Assets		
Cash	\$ 7,223	\$ 9,161
Accounts receivable (Note 13)	11,698	8,350
Short term investments (Note 2)	6,865	7,983
Prepaid and other assets	1,082	1,288
	26,868	26,782
Investments (Note 3)	21,289	27,220
Equipment and leaseholds (Note 5)	2,898	2,863
Intangible assets (Note 6)	1,436	1,524
	\$ 52,491	\$ 58,389
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 6,094	\$ 8,218
Deferred revenue (Note 8 and Note 13)	18,890	21,382
	24,984	29,600
Deferred Lease Inducements (Note 9)	1,421	1,559
NET ASSETS (Note 11)		
Invested in capital and intangible assets	2,912	2,827
Internally restricted	10,067	10,067
Unrestricted	13,107	14,336
	26,086	27,230
	\$ 52,491	\$ 58,389

On behalf of the Board.



Ben Sanders, FCPA, FCA
Chair of the Board



Sheila Nelson, CPA, CA
Treasurer

Statement of Operations

For the year ended March 31, 2020

All in \$000's

	2020	2019
		(Note 18)
REVENUES		
Membership dues	\$ 14,454	\$ 14,328
Student annual dues and module fees (Note 13)	21,223	-
Professional development	8,889	9,085
Regulatory affairs:		
Public practice fees	3,600	3,560
Admission fees	941	849
Discipline fines	17	46
Member services and events	580	682
CPA Western School of Business (Note 13)	328	3,673
Employment referral services	316	373
Legacy student dues	100	144
Investment (loss) income (Note 4)	(1,375)	1,136
Other revenue	918	728
	\$ 49,991	\$ 34,604
EXPENSES (Note 16)		
Education program (Note 13)	\$ 18,846	\$ -
Professional development	8,016	8,014
Regulatory affairs:		
Public practice registration and review	2,477	2,484
All other regulatory affairs	3,154	2,864
Administration support	4,340	3,806
External affairs and communications	4,150	3,681
Member services and engagement	3,250	3,102
Information technology	2,189	1,795
Student recruitment and employer relations	1,617	2,244
Practical experience program	1,563	1,717
Governance and executive office	1,533	1,224
	\$ 51,135	\$ 30,931
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ (1,144)	\$ 3,673

Statement of Changes in Net Assets

For the year ended March 31, 2020

All in \$000's

	Invested in Capital & Intangible Assets	Internally Restricted	Unrestricted	Total Net Assets
Opening Net Assets, April 1, 2018	\$ 2,661	\$ 10,494	\$ 10,402	\$ 23,557
Excess of revenue over expenses	-	-	3,673	3,673
Write-off of equipment and leaseholds	(97)	-	97	-
Purchase of equipment and leaseholds	484	-	(484)	-
Write-off of intangible assets	(65)	-	65	-
Purchase of intangible assets	325	-	(325)	-
Amortization of deferred lease inducements	137	-	(137)	-
Amortization of equipment and leaseholds	(388)	-	388	-
Amortization of intangible assets	(230)	-	230	-
Interfund transfer	-	(427)	427	-
Net Assets, March 31, 2019	\$ 2,827	\$ 10,067	\$ 14,336	\$ 27,230
Opening Net Assets, April 1, 2019	\$ 2,827	\$ 10,067	\$ 14,336	\$ 27,230
Deficiency of revenue over expenses	-	-	(1,144)	(1,144)
Write-off of leaseholds	(15)	-	15	-
Purchase of equipment and leaseholds	591	-	(591)	-
Purchase of intangible assets	267	-	(267)	-
Amortization of deferred lease inducements	138	-	(138)	-
Amortization of equipment and leaseholds	(541)	-	541	-
Amortization of intangible assets	(355)	-	355	-
Net Assets, March 31, 2020	\$ 2,912	\$ 10,067	\$ 13,107	\$ 26,086

Statement of Cash Flows

For the year ended March 31, 2020

All in \$000's

	2020	2019
		(Note 18)
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	\$ (1,144)	\$ 3,673
Adjustments to determine net cash provided by (used in) operating activities		
Amortization of equipment and leaseholds	541	388
Amortization of intangible assets	355	230
Write off of leaseholds	15	97
Write off of intangible assets	-	65
Reinvested distributions from pooled funds	(263)	(216)
Realized (gain) loss on sale of investments	(264)	80
Unrealized loss (gain) on investments	2,834	(157)
Amortization of deferred lease inducements	(138)	(137)
	\$ 1,936	\$ 4,023
Change in non-cash working capital items		
Accounts receivable	(3,348)	(7,000)
Prepaid and other assets	206	(258)
Accounts payable and accrued liabilities	(2,124)	1,049
Deferred revenue	(2,492)	7,204
	\$ (5,822)	\$ 5,018
INVESTING ACTIVITIES		
Purchase of investments	\$ (7,325)	\$ (15,523)
Proceeds on sale of investments	12,067	13,130
Purchase of equipment and leaseholds	(591)	(484)
Purchase of intangible assets	(267)	(325)
	\$ 3,884	\$ (3,202)
Net change in cash	\$ (1,938)	\$ 1,816
Cash, beginning of year	9,161	7,345
Cash, end of year	\$ 7,223	\$ 9,161

PURPOSE AND NATURE OF ORGANIZATION

On June 24, 2015, the Chartered Professional Accountants of British Columbia (CPABC) was legally established under the *Chartered Professional Accountants Act*. CPABC is a member organization of the Chartered Professional Accountants of Canada (CPA Canada). CPABC is a tax-exempt body under Section 149 of the Income Tax Act.

CPABC has the following objectives as outlined in the *Chartered Professional Accountants Act*:

- 1 to promote and maintain the knowledge, skill and proficiency of members and students in the practice of accounting;
- 2 to establish qualifications and requirements for admission as a member and continuation of membership, and for enrollment and continuation of enrollment of students;
- 3 to regulate all matters, including competency, fitness and professional conduct, relating to the practice of accounting by members, students, professional accounting corporations and registered firms;
- 4 to establish and enforce professional standards; and,
- 5 to represent the interests of members and students.

1 SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Accounting*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations applied within the framework of the accounting policies summarized below.

b) *Revenue Recognition*

CPABC follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership dues, legacy student and membership admission fees, are recognized as revenue in the year in which they apply. Membership fees received in advance of the membership year to which they relate are recorded as deferred revenue.

Professional development revenue is recognized when the course is delivered. The liability for the portion of course revenues invoiced but not yet delivered is recorded as deferred revenue.

Public practice fees are recognized as revenue in the year in which they apply and the amount collected are allocated proportionately over 12 months commencing September 1, first day of the licensing year, and the portion not yet earned is recorded as deferred revenue.

Discipline fines are recognized when their collection is assured and all of CPABC's internal processes and any known external appeals are complete.

Student annual dues are recognized as revenue in the year in which they apply. Student annual dues received in advance of the year to which they relate are recorded as deferred revenue.

Module fees are recognized when the courses are delivered. The liability for the portion of module fees collected but not yet delivered is recorded as deferred revenue.

Investment income includes interest income, dividends and realized and unrealized gains and losses.

Government grant is recognized as unrestricted contribution in the period in which the related expenses are incurred and collection is reasonably assured.

Other revenue is recognized on an accrual basis as earned.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas requiring management estimates and assumptions include the useful lives of equipment, leaseholds and intangible assets for calculating amortization; the determination of the deferred portion of Professional Development (PD) fees; the allocation of education program expenses from the CPA Western School of Business; and the allocation of expenses to the appropriate functional category and contingencies.

d) *Short term investments*

Short-term investments consist of guaranteed investment certificates with maturity dates up to twelve months from the date of acquisition and the portion of fixed income fund that will be redeemed within the next fiscal year.

Guaranteed investment certificates are measured at amortized cost. Investment in fixed income funds are initially recognized and subsequently measured at fair value, determined using market information. Transaction costs and net gains and losses arising from changes in fair value are immediately recognized in the statement of operations.

e) *Investments*

Investments consist of fixed income and equity funds, which are initially recognized and subsequently measured at fair value, determined using market information. Transaction costs and net gains and losses arising from changes in fair value are immediately recognized in the statement of operations.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Equipment, Leaseholds and Intangible Assets*

Equipment and leaseholds are recorded at cost. Amortization is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Leasehold improvements	remaining term of lease
Office furnishings and equipment	five to ten years
CPABC member database	ten years
Computer equipment and software	three years
Printing equipment	six years
Website	seven years

Equipment, leaseholds and intangible assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the equipment, leaseholds, or intangible asset to its fair value or replacement cost. Any impairment of these assets is charged to income in the period in which the impairment is determined.

An impairment loss is not reversed if the fair value of the equipment, leaseholds or intangible asset subsequently increases.

g) *Lease Inducements*

CPABC accounts for lease inducements received by deferring such amounts and amortizing them to offset expenses on a straight-line basis over the term of the lease.

h) *Controlled Entities*

Controlled not-for-profit entities are not consolidated in CPABC's financial statements as the bylaws and trust agreements of the entities specify that the entities' assets are to be used for specific purposes only, and are not available to CPABC even in the event of the entities' dissolution. CPABC believes separate note disclosure of controlled entities provides a more meaningful presentation of CPABC's activities.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) *Significantly Influenced not-for-profit organization*

The Board of Directors of CPA Western School of Business (CPAWSB), a charitable organization, is comprised of the CEOs from the four western provinces and CPABC has 25% representation on the board of directors which meets the definition of significant influence over CPAWSB. 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 winding up of the charitable organization, all of its remaining assets after payment of liabilities shall be distributed to qualified donees as defined in Subsection 149.1(1) as amended, of the Income Tax Act (Canada), and therefore not available to CPABC. Accordingly, no ownership interest of CPAWSB is reflected in the financial statements. 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.

j) *Allowance for Doubtful Accounts*

Accounts receivable are reviewed on a monthly basis and are provided for when it is determined that the likelihood of collection is low.

k) *Donated Services*

CPABC and its members benefit greatly from donated services in the form of volunteer time for various activities. Since these services are not normally purchased by CPABC and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

2 SHORT TERM INVESTMENTS

	March 31, 2020	March 31, 2019
Guaranteed investment certificates (GICs)	\$ 175	\$ 175
Pooled fixed income funds	6,690	7,808
Total short term investments	\$ 6,865	\$ 7,983

GICs have an effective interest rate of 1.5% (2019 – 1.0% to 1.5%) with a maturity date of November 2020 (2019 – November 2019). Fixed income funds include high grade corporate and government bonds.

3 INVESTMENTS

	March 31, 2020	March 31, 2019
Pooled fixed income funds	\$ 9,498	\$ 15,874
Pooled equity funds	10,661	11,346
US money market fund	1,130	-
Total investments	\$ 21,289	\$ 27,220

Fixed income funds include high grade corporate and government bonds, with a varying mix between medium and longer term maturities. Equity funds are invested in Canadian, US and international securities holding publicly-traded common shares, and convertible securities. The Canadian, US and International portion of the portfolio was 74%, 13%, 13% respectively as at March 31, 2020 (2019 – 82%, 9%, 9%). As at March 31, 2020, CPABC has committed capital held in a US money market fund to be invested in private and diverse infrastructure projects.

4 INVESTMENTS (LOSS) INCOME

	March 31, 2020	March 31, 2019
Interest and dividend income	\$ 932	\$ 843
Reinvested distribution from pooled funds	263	216
Realized gain (loss) on sale of investments	264	(80)
Unrealized (loss) gain in fair value of investments	(2,834)	157
Total investment (loss) income	\$ (1,375)	\$ 1,136

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

5 EQUIPMENT AND LEASEHOLDS

	Cost	Accumulated Amortization	Net Book Value March 31, 2020	Net Book Value March 31, 2019
Harbour Centre leasehold improvements	\$ 2,832	\$ 780	\$ 2,052	\$ 1,959
Office furnishings and equipment	658	290	368	373
Computer equipment	1,482	1,096	386	399
Printing equipment	253	161	92	132
Total equipment and leasehold	\$ 5,225	\$ 2,327	\$ 2,898	\$ 2,863

6 INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value March 31, 2020	Net Book Value March 31, 2019
Computer software	\$ 809	\$ 517	\$ 292	\$ 192
Website	215	31	184	197
CPABC member database	1,779	819	960	1,135
Total intangible assets	\$ 2,803	\$ 1,367	\$ 1,436	\$ 1,524

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	March 31, 2019
Trade payables	\$ 1,013	\$ 3,868
Government remittances	1,705	1,605
Accrued liabilities and other	3,376	2,745
Total accounts payable and accrued liabilities	\$ 6,094	\$ 8,218

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

8 DEFERRED REVENUE

	March 31, 2020	March 31, 2019
Membership dues	\$ 8,631	\$ 10,623
Student annual dues and module fees	7,196	7,234
Public practice fees	1,491	1,486
Professional development	1,430	1,687
Other	142	352
Total deferred revenue	\$ 18,890	\$ 21,382

9 DEFERRED LEASE INDUCEMENTS

CPABC received leasehold inducements of \$2,063 to fund leasehold improvements for the Harbour Centre premises in 2015 and 2016. These inducements have been deferred and are being amortized on a straight-line basis over the term of the lease.

	March 31, 2020	March 31, 2019
Opening balance	\$ 1,559	\$ 1,696
Current year amortization	(138)	(137)
Closing balance	\$ 1,421	\$ 1,559

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

10 COMMITMENTS AND CONTINGENCIES

- a) Commitments include the Harbour Centre lease. The lease term for Harbour Centre commenced August 1, 2015 and extends through to July 31, 2030 with two options to renew for two further 5-year terms. In addition to the minimum lease payments, CPABC is required to pay a portion of operating costs and property taxes.

CPABC is committed to the Hastings Lease for a 10-year term which ends in July 2021. These premises have been subleased to an unrelated party. A provision of \$103 (2019 - \$182) has been provided for the estimated loss to be realized where the lease rate of the sublease agreement is below CPABC's contracted lease rate

Minimum lease payments required under the terms of the Harbour Center and Hastings leases are as follows:

2021	\$	858
2022		736
2023		689
2024		689
2025		689
2026 and thereafter		3,989
Total	\$	<u>7,650</u>

- b) CPABC has received statements of claim and is involved with certain legal actions related to various matters arising in the ordinary course of its business. These matters are at various stages. To the extent that the outcome is likely and an amount of costs can be reasonably estimated, an accrual based on the best estimate has been made. Any adjustments to the estimates or differences to the actual costs will be recorded in the period in which additional information becomes available. CPABC has no reason to expect that the ultimate disposition of any of these matters will have a material adverse impact on its financial position, results of operations or its ability to carry on any of its business activities

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

11 INTERNALLY RESTRICTED NET ASSETS AND CAPITAL MANAGEMENT

CPABC's main objective when managing capital is to maintain financial flexibility in order to preserve its ability to meet financial commitments, including possible contingencies and unforeseen external events. CPABC has established criteria for sound financial management through the unrestricted net assets policy which sets an appropriate target range.

CPABC maintains a policy to internally restrict an amount equal to the net assets invested in equipment, leaseholds and intangible assets, net of leasehold inducements.

In addition, on March 31, 2015, the Board approved the following categories of internally restricted net assets:

- » Strategic Opportunity Fund of \$6,567, which is comprised of those resources the Board is restricting for projects that will benefit the profession and its members and students.

During the fiscal year 2017/18, the Board approved the establishment of the following categories of internally restricted net assets:

- » Protection of the Public Reserve of \$2,500, which is comprised of those resources restricted to fund significant disciplinary activities which protect the public.
- » Fee Stabilization Fund of \$1,000, which is comprised of those resources available to offset potential costs in order to minimize fluctuation in provincial member fees.

These internally restricted amounts are not available for any other purpose without prior approval of the Board. As at March 31, 2020, the following amounts remain internally restricted:

	March 31, 2020	March 31, 2019
Invested in tangible & intangible assets	\$ 2,912	\$ 2,827
Strategic opportunity fund	6,567	6,567
Protection of the public reserve	2,500	2,500
Fee stabilization fund	1,000	1,000
Closing balance	\$ 12,979	\$ 12,894

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

11 INTERNALLY RESTRICTED NET ASSETS AND CAPITAL MANAGEMENT (continued)

	Internally Restricted					Unrestricted	Total Net Assets
	Invested Capital & Intangible Assets	Strategic Opportunity Fund	Protection of the Public Reserve	Fee Stabilization Fund	TOTAL Internally Restricted		
Net Assets, April 1, 2019	\$ 2,827	\$ 6,567	\$ 2,500	\$ 1,000	\$ 12,894	\$ 14,336	\$ 27,230
Less: Deficiency of revenue over expense	-	-	-	-	-	(1,144)	(1,144)
Purchase of equipment and leasehold and intangible assets	858	-	-	-	858	(858)	-
Write-off of equipment and leasehold and intangible assets	(15)	-	-	-	(15)	15	-
Amortization	(758)	-	-	-	(758)	758	-
Net Assets, March 31, 2020	\$ 2,912	\$ 6,567	\$ 2,500	\$ 1,000	\$ 12,979	\$ 13,107	\$ 26,086

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

12 RELATIONSHIPS WITH OTHER ORGANIZATIONS

The transactions described below are measured at the exchange amount – the amount of consideration established and agreed to by the other parties.

- a) **Chartered Professional Accountants of Canada (CPA Canada)** is the national body which supports the provincial accounting bodies that have unified as Chartered Professional Accountants (CPA) in Canada.

During 2013, CPA Canada established a Collaboration Accord that defines roles and governance processes for the unified profession going forward. Under these mechanisms, CPA Canada and the participating unifying provincial bodies undertook a series of projects to implement the CPA profession's strategic initiatives and to collaborate nationally. CPA Canada accumulates the related costs and invoices the participating provincial bodies their proportionate share totaling \$5,371 (2019 - \$5,185). CPABC's contribution to funding these projects amounted to \$868 (2019 - \$845). These transactions are reflected in the appropriate cost function on the statement of operations.

During 2020, CPABC collected member dues on behalf of CPA Canada totalling \$9,627 (2019 - \$11,341). At March 31, 2020, a net amount of \$1,523 (2019 - \$3,053) was owed to CPA Canada.

On February 1, 2017, CPA Canada and the provincial bodies signed the Education Agreement which outlines the model to allocate costs and resulting net deficits or surplus for the national CPA pre-certification programs. Under this agreement, CPA Canada accumulates the related revenues and costs and distributes to the provincial bodies their proportionate share of the net surplus totalling \$1,851 (2019 - \$547) of which CPABC's share is \$294 (2019 - \$87).

- b) **The Chartered Professional Accountants of Yukon (CPA Yukon)** is administered by CPABC and administrative fees of \$37 (2019 - \$36) were charged to CPA Yukon for the services rendered.

CPABC also runs practice review and licensing on behalf of CPA Yukon. Fees of \$17 (2019 - \$17) were charged by CPABC for services rendered in relation to practice review and licensing.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

12 RELATIONSHIPS WITH OTHER ORGANIZATIONS

(continued)

- c) **CPA Insurance Plans West (CPAIPW)** administers benefit plans for members of the CPA bodies in British Columbia, Alberta, Saskatchewan, Manitoba, the Northwest Territories, and the Yukon. CPAIPW is a not-for-profit organization under the Income Tax Act. Each of the four western provinces, including CPABC, nominates two persons to serve on CPAIPW's eight-member board.

13 SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATION

CPA Western School of Business (CPAWSB) is responsible for delivering pre-certification education to students in the four western provinces and the territories, in accordance with an agreement reached in 2000 by the Institutes of Chartered Accountants of British Columbia, Alberta, Saskatchewan, and Manitoba ("member body"). This agreement was replaced and superceded with a revised agreement signed by the CPA bodies in Alberta, British Columbia, Saskatchewan, and Manitoba and CPAWSB effective September 29, 2015. Effective June 1, 2018, the western CPA provincial bodies approved changes relating to the governance structure of CPAWSB. The new Board of Directors of the CPAWSB is comprised of the CEOs from the four western provinces. CPAWSB and the four western provinces signed an operating agreement effective April 1, 2019 whereby CPAWSB acts as an independent agent collecting revenue and incurring costs on behalf of the western provinces for delivery of the CPA Education Program.

CPABC recognized \$21,223 student annual dues and module fees as revenue of which of \$13,989 was collected by CPAWSB on behalf of CPABC during the year and \$7,234 was collected in the prior year. As at March 31, 2020, CPABC recorded \$7,196 (2019 - \$7,234) (note 8) as deferred revenue with a corresponding amount in accounts receivable, pertaining to student programs to be delivered on or after April 1, 2020.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

13 SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATION (continued)

Student annual dues and module fees deferred revenue	March 31, 2020	March 31, 2019
Opening balance	\$ 7,234	\$ -
Student annual dues and module fees recognized during the year	(21,223)	-
Collected during the year	21,185	7,234
Closing balance	\$ 7,196	\$ 7,234

Education program costs of \$39,864 were incurred by CPAWSB on behalf of the western provinces, of which \$18,756 were allocated to CPABC.

Cost recoveries in the amount of \$328 (2019 - \$3,673) were charged to CPAWSB during the year for use of CPABC's premises.

At March 31, 2020, \$9,784 (2019 - \$7,456) was owing from CPAWSB.

14 CONTROLLED ENTITIES

All of the entities noted below are controlled by CPABC as it appoints the members, directors and trustees that govern each entity. The accounts of the controlled entities noted below have not been consolidated in CPABC's financial statements, as the bylaws and trust agreements of these entities specify that the entities' assets are to be used for specific purposes only, and are not available to CPABC even in the event of the entities' dissolution. It is believed that a separate note disclosure provides a more meaningful presentation of activities.

The transactions described below are measured at the exchange amount, being the amount of consideration, established and agreed to by the related parties. The summary financial statements of each entity have been provided.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

14 CONTROLLED ENTITIES (continued)

- a) The **Chartered Professional Accountants' Education Foundation of British Columbia (CPAEF)** is a registered charity under the Income Tax Act. The CPAEF's mandate is to enhance the quality and quantity of students entering the CPA profession, sponsor relevant and practical research, and stimulate the ongoing educational experience of CPABC's members. CPAEF elects its board members from candidates recommended by CPABC.

At March 31, 2020, a net amount of \$10 was owing to CPAEF (2019 - CPABC owed \$4 to CPAEF).

- b) The **Benevolent Fund of the Chartered Professional Accountants of British Columbia (Benevolent Fund)** is a registered charity under the Income Tax Act. It was established to provide financial assistance to CPABC's members who are experiencing unusual financial hardships.

At March 31, 2020, an amount of \$9 was owing to the Benevolent Fund (2019 - \$12).

CPABC provides administrative and support services for the above entities without charge.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

14 CONTROLLED ENTITIES (continued)

Summarized Financial Information

	CPAEF		Benevolent Fund	
	2020	2019	2020	2019
Financial position				
Total assets	\$ 3,058	\$ 3,528	\$ 491	\$ 500
Total liabilities	9	22	3	3
Net assets	\$ 3,049	\$ 3,506	\$ 488	\$ 497
Results of operations				
Investment (loss) income earned during the year	\$ (235)	\$ 174	\$ (25)	\$ 8
Donations	66	80	20	20
Total revenue	\$ (169)	\$ 254	\$ (5)	\$ 28
Education funding, benevolence and expenses	\$ 288	\$ 221	\$ 4	\$ 35
Excess (deficiency) of revenues over expenses	\$ (457)	\$ 33	\$ (9)	\$ (7)
Cash Flows				
Operating	\$ (86)	\$ (16)	\$ 27	\$ (8)
Net investments (acquired) sold	117	(18)	(83)	60
Net (decrease) increase in cash	\$ 31	\$ (34)	\$ (56)	\$ 52

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

15 FINANCIAL INSTRUMENTS

CPABC's financial instruments consist of cash, short-term investments, accounts receivable, investments, and accounts payable and accrued liabilities.

Interest Rate Risk

CPABC manages the interest rate risk exposure of its fixed income investments by investing in bonds and guaranteed investment certificates with varying terms and maturity dates. Investments in equity securities are not exposed to significant interest rate risk.

Currency Risk

CPABC mitigates the currency risk of its foreign bonds and equities by limiting its currency exposure and investing mostly in Canadian securities. The Canadian portion of the portfolio was 74% at March 31, 2020 (2019 - 82%).

Credit and Market Risk

CPABC has an investment policy that restricts the types and amounts of its eligible investments, and requires dealing with highly rated counterparties. Risk and volatility of investment returns are mitigated through the diversification of investments in different geographic regions and different investment vehicles. Subsequent to year end, COVID-19 continues to have a significant effect on financial markets. CPABC's investments in pooled equity funds are measured at their fair value as at March 31, 2020 (note 3). As of March 31, 2020, the TSX Composite Index has declined by approximately 20.9% and CPABC's investment in pooled equity funds is experiencing similar declines in value.

16 ALLOCATION OF OVERHEAD COSTS

Expenses directly related to a functional area are charged to that area, including salaries and benefits, contractor costs and all other expenses. Overhead costs have been allocated to the various functional areas on the basis of estimated usage as follows:

- » Expenses related to premises, including rent, maintenance and amortization - proportionately based on the office space used;
- » Expenses related to general administration, including insurance, telephone and supplies - proportionately based on the number of staff; and
- » Expenses related to information technology, including computer equipment and connectivity - proportionately based on the number of staff.

Notes to Financial Statements

For the year ended March 31, 2020

All in \$000's

16 ALLOCATION OF OVERHEAD COSTS (continued)

The overhead costs allocated per functional areas are as follows:

	March 31, 2020	March 31, 2019
Professional development	\$ 464	\$ 409
Regulatory Affairs:		
Public practice registration and review	310	305
All other regulatory affairs	468	381
Practical experience program	329	299
Member services and engagement	285	243
External affairs and communications	365	314
Student recruitment and employer relations	279	236
Governance and executive office	128	111
Administration support	738	845
Information technology	474	384
	\$ 3,840	\$ 3,527

17 SUBSEQUENT EVENTS

The COVID-19 global pandemic has resulted in the Government of British Columbia enacting emergency measures to combat the spread of the coronavirus. These measures, which include the implementation of a travel ban, self-imposed isolation and physical distancing, have caused the cancellation of CPABC's in-person offering of professional development courses and events. In addition, CPABC has also implemented a deferral of collection activities regarding member dues. Although the disruption from the virus is expected to be temporary, CPABC increased online offerings for professional development and held virtual events where feasible. Given the rapidly changing circumstances, the duration and impact of the disruption to CPABC's operations and the related financial impact cannot be reasonably estimated at this time.

18 COMPARATIVE FIGURES

The comparative figures have been reclassified to conform with the current year's presentation. As at March 31, 2019, deferred revenue was reduced by \$1,705 with a corresponding amount netted against accounts receivable. The changes do not affect the prior year's excess of revenues over expenses.



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