

# **CHARTERED PROFESSIONAL ACCOUNTANTS' EDUCATION FOUNDATION OF BRITISH COLUMBIA**

## **ANNUAL FINANCIAL STATEMENTS**

**March 31, 2021**

## Chartered Professional Accountants' Education Foundation of British Columbia

# 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 Governors (the "Board") of the **Chartered Professional Accountants' Education Foundation of British Columbia (CPAEF)**.

Preparation of financial information is an integral part of CPABC's broader responsibilities for the ongoing operations of CPAEF. CPABC's 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 amounts based on management's best estimate and judgment.

The Board carries out its responsibilities through CPABC's Audit Committee (the "Committee"). The Committee reviews the annual financial statements and recommends them to the Board for approval. In addition, the Committee and the Treasurer of the Board (the "Treasurer") meet periodically with management and external auditor. The Treasurer reports any issues to the Board. The Committee also reviews the annual report in its entirety.

The accompanying financial statements have been audited by BDO Canada LLP, who is engaged by the Board, on the recommendation of the Committee. The external auditor was approved and appointed by 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 23, 2021



Lori Mathison, FCPA, FCGA, LLB

President and Chief Executive Officer



Jan Sampson, FCPA, FCA

Executive Vice President, Member and Student Experience



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## Independent Auditor's Report

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To the Members of the Chartered Professional Accountants' Education Foundation of British Columbia  
Opinion

We have audited the accompanying financial statements of the Chartered Professional Accountants' Education Foundation of British Columbia, which comprise the Statement of Financial Position as at March 31, 2021, 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' Education Foundation of British Columbia as at March 31, 2021, 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' Education Foundation 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.

### 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' Education Foundation 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' Education Foundation of British Columbia or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Chartered Professional Accountants' Education Foundation 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.



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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' Education Foundation 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' Education Foundation 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' Education Foundation 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.

#### Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
June 23, 2021

# Chartered Professional Accountants' Education Foundation of British Columbia

## Statement of Financial Position As at March 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 60,787	\$ 71,596
Accounts receivable	5,441	5,284
Accounts receivable from related party (Note 8)	13,511	10,107
Doctoral support receivable (Note 5)	10,000	-
Short term investments (Note 2)	100,000	190,000
	<b>189,739</b>	276,987
Investments (Note 3)	3,558,182	2,675,772
Doctoral support receivable (Note 5)	20,000	-
Donated shares (Note 9)	111,591	104,959
	<b>\$ 3,879,512</b>	<b>\$ 3,057,718</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,784	\$ 8,479
Accounts payable to related party (Note 8)	22	10
	<b>6,806</b>	8,489
<b>NET ASSETS</b>		
Externally restricted (Note 6)		
Endowment	85,516	85,516
Scholarships and bursaries	153,180	156,223
Internally restricted (Note 6)	1,859,366	1,823,369
Unrestricted	1,774,644	984,121
	<b>3,872,706</b>	3,049,229
	<b>\$ 3,879,512</b>	<b>\$ 3,057,718</b>

Approved on behalf of the Board of Governors:

Brenda Waechter, FCPA, FCGA  
Chair of the Board

Keri Norrie, FCPA, FCA, CGA  
Treasurer

## Chartered Professional Accountants' Education Foundation of British Columbia

### Statement of Operations and Changes in Net Assets

For the year ended March 31, 2021

(Note 12)

	Externally Restricted				Internally Restricted		Unrestricted		Total	
	Endowment		Scholarships and Bursaries		2021	2020	2021	2020	2021	2020
	2021	2020	2021	2020						
<b>REVENUES</b>										
Investment Income (loss):										
Vancouver Foundation (Note 7)	\$ -	\$ -	\$ -	\$ -						
Investment income (loss) (Note 4)	\$ 6,646	\$ 7,782	\$ 160	\$ 1,209						
Donations	-	-	\$ 19,097	\$ 18,800						
Other income (Note 5)	-	-	-	-						
<b>Total Revenues</b>	<b>\$ 6,646</b>	<b>\$ 7,782</b>	<b>\$ 19,257</b>	<b>\$ 20,009</b>	<b>\$ 35,997</b>	<b>\$ 41,192</b>	<b>\$ 953,121</b>	<b>\$ (237,957)</b>	<b>\$ 1,015,021</b>	<b>\$ (168,974)</b>
<b>EXPENSES</b>										
Educational Funding:										
Doctoral support program (Note 5)	\$ -	\$ -	\$ -	\$ -						
Scholarships and bursaries	-	-	\$ 22,300	\$ 23,300						
Funding to research universities	-	-	-	-						
Events	-	-	-	-						
<b>Total Educational Funding Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,300</b>	<b>\$ 23,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,263</b>	<b>237,079</b>	<b>\$ 166,563</b>	<b>\$ 260,379</b>
Audit and legal	-	-	-	-						
Investment fee	-	-	-	-						
Administration	-	-	-	-						
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,300</b>	<b>\$ 23,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,244</b>	<b>\$ 264,870</b>	<b>\$ 191,544</b>	<b>\$ 288,170</b>
<b>Excess (deficiency) of Revenue over Expenses</b>	<b>\$ 6,646</b>	<b>\$ 7,782</b>	<b>\$ (3,043)</b>	<b>\$ (3,291)</b>	<b>\$ 35,997</b>	<b>\$ 41,192</b>	<b>\$ 783,877</b>	<b>(502,827)</b>	<b>\$ 823,477</b>	<b>\$ (457,144)</b>
Net Asset, beginning of year	85,516	85,516	156,223	159,514	1,823,369	1,782,177	984,121	1,479,166	3,049,229	3,506,373
Interfund transfer	(6,646)	(7,782)	-	-	-	-	6,646	7,782	-	-
<b>Net Asset, end of year</b>	<b>\$ 85,516</b>	<b>\$ 85,516</b>	<b>\$ 153,180</b>	<b>\$ 156,223</b>	<b>\$ 1,859,366</b>	<b>\$ 1,823,369</b>	<b>\$ 1,774,644</b>	<b>984,121</b>	<b>\$ 3,872,706</b>	<b>\$ 3,049,229</b>

The accompanying notes are an integral part of these financial statements.

**Chartered Professional Accountants' Education Foundation of British Columbia**

**Statement of Cash Flows**  
**For the year ended March 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 823,477	\$ (457,144)
Adjustments to determine net cash provided by (used in) operating activities		
Reinvested distribution from pooled funds	(60,588)	(42,243)
Realized gain on sale of investments	(50,464)	(103,948)
Unrealized (gain) loss on investments	(683,813)	510,546
	<hr/> \$ 28,612	<hr/> \$ (92,789)
Change in non-cash working capital		
Accounts receivable	(157)	(151)
Accounts receivable from related party	(3,404)	7,544
Doctoral support receivable	(30,000)	7,500
Prepaid	-	4,775
Accounts payable and accrued liabilities	(1,695)	211
Accounts payable to related party	12	(13,548)
	<hr/> \$ (6,632)	<hr/> \$ (86,458)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	\$ (442,295)	\$ (695,698)
Proceeds on sale of investments	444,750	820,970
Donated shares (Note 9)	(6,632)	(7,691)
	<hr/> \$ (4,177)	<hr/> \$ 117,581
Net change in cash	\$ (10,809)	\$ 31,123
Cash, beginning of year	71,596	40,473
<b>Cash, end of year</b>	<b>\$ 60,787</b>	<b>\$ 71,596</b>

The accompanying notes are an integral part of these financial statements.

**Purpose**

CPAEF is a registered charity under the Income Tax Act with a mandate to enhance the quality and quantity of students entering the CPA profession, to sponsor relevant and practical research, and to stimulate the ongoing educational experience of CPABC members.

**1. SIGNIFICANT ACCOUNTING POLICIES**

a) *Basis of Accounting*

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. All revenues and expenses are accounted for on the accrual basis of accounting, except donations over which CPAEF has no control. Donations are recorded when received.

b) *Recognition of Contributions*

CPAEF follows the restricted fund method, whereby contributions externally restricted by donors such as scholarships and endowments are recognized as revenue in the corresponding fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the unrestricted fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

c) *Accounting for Doctoral Support Program*

CPAEF has a program of financial support in the form of forgivable loans for CPAs pursuing doctoral studies to prepare them for a career in teaching and research in accounting, assurance or taxation. These loans are forgivable if the candidate earns the doctoral degree and teaches at a BC educational institution. Each loan installment is recorded as an expense at the date the candidate is eligible to receive it, and any recoveries due to conditions not being met are recorded as revenue and receivable at such time as this becomes determinable and collection is reasonably assured.

d) *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 disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management has taken into consideration the financial impact of the COVID-19 global pandemic when making these estimates and assumptions. Actual results could differ from those estimates. The areas requiring management estimates are valuation of the donated shares.

e) *Donated Services*

CPAEF benefits from donated services in the form of volunteer time and the provision of management, accounting and administrative services from CPABC. Since the donated services are not normally purchased by CPAEF and because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

f) *Donated Shares*

Donated shares are initially recorded at estimated fair value at the time of donation and subsequently carried at cost. At the end of each reporting period, CPAEF assesses whether there are any indications that the donated shares may be impaired. Where there is indication of impairment, the carrying value is written down accordingly.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****g) Investments**

Short term investments consist of fixed income funds that will be redeemed within the next year. Investments consist of fixed income and equity funds, and 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 operations.

All other financial instruments are carried at amortized cost, except for cash which is carried at fair value.

**2. SHORT TERM INVESTMENTS**

	<b>March 31, 2021</b>	March 31, 2020
Pooled fixed income funds	\$ 100,000	\$ 190,000
Total short-term investments	<b>\$ 100,000</b>	<b>\$ 190,000</b>

Fixed income funds include high grade corporate and government bonds.

**3. INVESTMENTS**

	<b>March 31, 2021</b>	March 31, 2020
Pooled fixed income funds	\$ 1,354,917	\$ 900,093
Pooled equity funds	2,203,265	1,775,679
Total investments	<b>\$ 3,558,182</b>	<b>\$ 2,675,772</b>

Fixed income funds include high grade corporate and government bonds and equity funds are invested in Canadian, US and international securities. The Canadian, US and International portion of the portfolio was 60%, 20%, 20% respectively as at March 31, 2021 (2020 – 60%, 20%, 20%).

**4. INVESTMENT INCOME (LOSS)**

	<b>March 31, 2021</b>	March 31, 2020
Interest and dividend income	\$ 104,177	\$ 108,966
Reinvested distributions from pooled funds	60,588	42,243
Realized gain on sale of investments	50,464	103,948
Unrealized gain (loss) on fair value of investments	683,813	(510,546)
	<b>\$ 899,042</b>	<b>\$ (255,389)</b>

**5. DOCTORAL SUPPORT PROGRAM**

The doctoral support program funds CPA members pursuing a doctorate through a program of forgivable loans. Under the terms of the doctoral support program agreements, the loans are forgiven if the candidates meet the following requirements: must be enrolled in an approved doctoral program at the time of the funding, complete all requirements for the doctoral degree within five years of commencing the doctoral program and teach accounting at a British Columbia university immediately upon completion of the doctorate (one year of teaching for each year of support forgiven). There are three BC members who are currently being funded in the doctoral support program.

During 2021, the requirements for forgiveness under one of the funding arrangements were not met. The \$40,000 funded over the term is repayable over four years commencing March 1, 2021 at an interest rate based on the Scotiabank prime rate as at December 31 of each year. The amount repaid to date was \$10,000. The amount repayable in the next fiscal year has been classified as current asset and collectibility is reasonably assured.

**6. EXTERNALLY AND INTERNALLY RESTRICTED FUNDS**

Externally restricted funds have been specifically designated by donors for endowments, scholarships and bursaries funds. Dividends received for the Terrapin Mortgage Investment Corp. (TMIC) are not subject to external restrictions and may be used for any purpose.

Effective April 1, 2017, the Board of Governors internally restricted general donations indefinitely.

**7. VANCOUVER FOUNDATION**

CPAEF holds \$345,000 in contributed principal with the Vancouver Foundation. The market value of these funds at year-end is \$565,389 (2020 - \$475,547). In accordance with the provisions of the Vancouver Foundation Act, the amounts are held permanently by the Vancouver Foundation. As CPAEF has the right to receive only the investment income on these funds and has no access to the contributed principal, CPAEF financial statements do not include amounts placed with the Vancouver Foundation.

**8. RELATED PARTY TRANSACTIONS**

CPAEF elects its Board of Governors from among candidates recommended by CPABC's Board of Directors. CPAEF receives management, accounting and administrative services from CPABC without charge, and is charged only for costs incurred on its behalf. These transactions are in the normal course of operations and are measured at the exchange amount, the amount of consideration established and agreed to by related parties.

At year end, CPABC collected donations on behalf of CPAEF and owes a net amount of \$13,489 (2020 – CPABC owed \$10,097 to CPAEF).

**9. DONATED SHARES**

CPAEF received donations of preferred shares in Terrapin Mortgage Investment Corp. (TMIC) has been classified as externally restricted – endowment. TMIC is a fully integrated real estate mortgage lender and investment company based in Vancouver. TMIC's principal business activity is mortgage lending in BC and Alberta, primarily in first and second mortgages secured by residential and commercial real estate.

These preferred shares of TMIC are not liquid and are subsequently recorded at cost. These shares are redeemable only at the discretion of TMIC. In addition, dividends are payable at the discretion of the corporation.

During the fiscal year, TMIC has issued dividends to CPAEF in the amount of \$6,632 (2020 – \$7,691) which were reinvested.

**10. FINANCIAL INSTRUMENTS**

CPAEF's financial instruments consist of cash, accounts receivable, investments, donated shares, and accounts payable and accrued liabilities.

*Interest Rate Risk*

CPAEF mitigates risk and volatility of the fair value of its fixed income investments caused by market interest rate fluctuations by investing in pooled funds holdings with varying terms and maturity dates.

*Currency Risk*

CPAEF mitigates the currency risk exposure of its foreign investments through diversification. The Canadian portion of the portfolio was 60% at March 31, 2021 (2020 – 60%).

*Credit and Market Risk*

CPAEF 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.

The value of the donated Terrapin Mortgage Investment Corp. preferred shares may fluctuate.

**11. REMUNERATIONS OF EMPLOYEES, CONTRACTORS AND DIRECTORS**

In accordance with requirement of the BC Societies Act relating to disclosure of remunerations, no amounts over \$75,000 were paid to contractors, employees and directors.

**12. CHANGE IN PRESENTATION**

The presentation of the Statement of Operations current year has been changed to conform with the restricted fund method.