

IN THE MATTER OF
**CHARTERED PROFESSIONAL ACCOUNTANTS
OF BRITISH COLUMBIA**

("CPABC")

AND
A COMPLAINT AGAINST
GLENN BRUCE DAVIDSON, CPA, CGA

("Member")

DECISION

1. The Member received his CGA designation in 1985 and has been in public practice since then. The Statement of Complaint alleges multiple violations of the *Rules of Professional Conduct* by the Member which the CPABC contends warrant cancellation of his membership. The Member did not attend the hearing and did not contest the allegations.

Background

2. In August 2013, the Member received a loan from one of his long-standing clients in the amount of \$150,000. The loan was supported by a promissory note and was to be repaid in February 2014.
3. In the 2015 Financial Statements the Member prepared for the client, the balance sheet showed a loan receivable of \$153,092, which included the loan given by the client to the Member. However, the Notice to Reader report with the Financial Statements did not disclose the loan to the Member or reference the promissory note.
4. In the course of conducting a valuation of the client's business, a professional business valuator reviewed the client's financial statements, including those for the year ended February 2014, and requested additional information from the Member as the client's external accountant.

5. The Member provided the valuator with various promissory notes which indicated a business relationship between the Member and the client regarding the money received by the Member from the client which was not disclosed in the Notice to Reader report with the financial statements.
6. The business related to two companies incorporated by the Member for the purpose of financing the production and international sale of the artistic work of a gemstone sculptor. The Member is the sole shareholder of the companies.
7. Since August 2013, the Member had been promoting the venture to his family, business contacts, and clients to raise funds to buy raw materials and build an inventory of finished products to be displayed at art shows around the world, with title to the inventory to be held by one of the companies.
8. In total, the Member received over \$2.6 million from investors, including the \$150,000 he received from the client in 2013.
9. In February 2015, one of the companies received a loan of \$250,000 from the client, together with a fee of \$75,000, which was to be repaid in February 2016. The Member gave the client a personal guarantee of the loan which was supported by a promissory note from the sculptor and the Member.
10. In February 2015, the sculptor also received a loan from the client of \$220,000, together with a fee of \$66,000, which was also to be repaid in February 2016. The promissory note from the sculptor and the Member supporting this loan stated:

"This note replaces the note dated August 27, 2013 in the name of Glenn Davidson for amounts received from [...] for purchase of raw materials inventory for [...]. The fee associated is included in the principal amount above (for clarity, \$150,000 advance plus fee of \$70,000).

Glenn Davidson continues to be responsible for the principal advance of \$150,000 and hereby guarantees this amount. Glenn Davidson is in no way responsible for the fee."

11. The Member gave personal guarantees to many of the investors and all of the investment money was received personally by the Member. There is no record of where the money the Member received went, no shares in the companies were issued to the investors, and the Member remains the sole shareholder of the companies.

12. The money the Member received from investors was used to buy raw materials and pay for travel costs associated with art shows the sculptor attended. No commissioned art has actually been produced.
13. The Member has also not cooperated with the related CPABC investigation into his professional conduct and has not provided records indicating where the money he received from the client and others was directed. As a result of the Member's lack of cooperation, it is not clear how he accounted for the money he receive from investors, what financial information or reporting he provided to them, or whether he returned the money owing to them. He did, however, provide a Compilation Checklist he completed in relation to the 2015 Financial Statements on which he indicated by checkmark that he did not have a close business relationship with the client, that were no loans or guarantees to or from the client, and that there were no existing prohibitions that would impair his independence or require disclosure.

Considerations

14. Considering the evidence adduced at the hearing, it is plain to the Panel that the Member's conduct contravened Rules 101.1(a), 104.1, 104.2, 201.1, 202.1, 205, and 209.1(a) of the *CPABC Code of Professional Conduct*, as well as Principles 1, 2, 6, and 7, and Rules 202, 206, 206.1, 207, 207.1, 402, 601, 606(a) and 740, of the *Code of Ethical Principles and Rules of Conduct* which governed the professional conduct of Certified General Accountants prior to the unification of accounting professions under the *Chartered Professional Accountants Act*, and that the contraventions constitute professional misconduct under section 53(2) of the *Act*.
15. The hallmark of professionalism is responsibility. And the Member has demonstrated none. In the subject Financial Statements, he misrepresented his involvement with his client. He has not accounted for where the money went. And he has not cooperated fully with CPABC. Each of these professional failures could be remedied by the Member. Instead, he has chosen to ignore them and, by not attending the hearing, he has indicated that membership in the profession does not matter to him.
16. In the view of the Panel, chartered professional accountants do not want to be associated with the kind of behavior displayed by the Member. His continued membership would not reflect well on the profession or its members and would not serve the public interest.

Conclusion

17. Accordingly, the Panel hereby orders that:

- a. the membership of Glenn Bruce Davidson in the CPABC is hereby cancelled; and
- b. Glenn Bruce Davidson pay to CPABC, in accordance with the Tariff of Costs in Bylaw Regulation 1208/1, its costs relating to conduct of the hearing and the investigation resulting in the hearing immediately upon being presented with its Statement of Costs, in regard to which the Panel reserves the jurisdiction to determine the amount of the costs in the event of a disagreement between CPABC and Mr. Davidson.

September 10, 2019

"Graham McIsaac"

For the Panel:

Graham McIsaac, FCPA,FCA, Chair
Christopher McDonald, CPA,CA
Stephen Quinn, RCN(Ret)