

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

Preparation of financial information is an integral part of CPABC management'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, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgments.

The CPAEF Board carry out their responsibilities with regard to the financial statements mainly through CPABC's Audit Committee (the "Committee"). The latter reviews the annual financial statements and recommends them to the CPAEF Board for its approval. In addition, the Committee and the Treasurer of the CPAEF Board ("Treasurer") meet periodically with management and the external auditors, and the Treasurer reports to the CPAEF Board thereon. The Committee also reviews the annual report in its entirety.

The accompanying financial statements have been audited by the external auditors who are engaged by the CPAEF Board on the recommendation of the Committee and whose appointment was approved at the annual general meeting of members. The external auditors have access to the Committee, without management present to discuss the results of their work.

Dated  
June 28, 2018



**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 The Chartered Professional Accountants of British Columbia

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, 2018, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the 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, 2018, and its results of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



## 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 28, 2018

# The CPA Education Foundation of British Columbia

## Statement of Financial Position

As at March 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 74,937	\$ 234,548
Accounts receivable	6,423	23,381
Accounts receivable from related party (Note 6)	15,562	15,736
Doctoral support receivable (Note 3)	10,000	10,833
Short term investments (Note 2)	200,000	200,000
	<b>306,922</b>	484,498
Investments (Note 2)	3,088,747	2,998,543
Donated shares (Note 7)	89,817	83,140
Doctoral support receivable (Note 3)	8,345	17,511
	<b>\$ 3,493,831</b>	<b>\$ 3,583,692</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 17,800	\$ 44,300
Accounts payable to related party (Note 6)	2,194	2
	<b>19,994</b>	<b>44,302</b>
<b>NET ASSETS</b>		
Externally restricted (Note 4)	265,066	285,712
Internally restricted (Note 4)	1,756,947	1,751,550
Unrestricted (Note 4)	1,451,824	1,502,128
	<b>3,473,837</b>	<b>3,539,390</b>
	<b>\$ 3,493,831</b>	<b>\$ 3,583,692</b>

Approved on behalf of the Board of Governors:

 Governor

 Governor

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

# The CPA Education Foundation of British Columbia

## Statement of Operations

For the year ended March 31, 2018

	2018	2017
<b>REVENUES</b>		
Investment income:		
Vancouver Foundation	\$ 18,669	\$ 17,998
Investment income (Note 2)	147,023	327,683
Donations	44,233	136,936
Donated shares (Note 7)	-	40,000
	<b>\$ 209,925</b>	<b>\$ 522,617</b>
<b>EXPENSES</b>		
Educational funding:		
Doctoral support program (Note 3)	\$ 20,000	\$ 10,000
Scholarship and bursaries	123,700	101,250
Events	102,699	23,945
	<b>\$ 246,399</b>	<b>\$ 135,195</b>
Audit and legal	9,801	11,150
Investment fee	16,402	12,124
Administration	2,876	6,008
	<b>\$ 275,478</b>	<b>\$ 164,477</b>
<b>(Deficiency) Excess of Revenues over Expenses</b>	<b>\$ (65,553)</b>	<b>\$ 358,140</b>

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

# The CPA Education Foundation of British Columbia

## Statement of Changes in Net Assets For the year ended March 31, 2018

	Externally Restricted	Internally Restricted	Unrestricted	Total
Opening Net Assets, April 1, 2016	\$ 223,020	\$ 1,573,011	\$ 1,385,219	\$ 3,181,250
Excess of revenue over expenses	62,692	178,539	116,909	358,140
<b>Net Assets, March 31, 2017</b>	<b>\$ 285,712</b>	<b>\$ 1,751,550</b>	<b>\$ 1,502,128</b>	<b>\$ 3,539,390</b>
Opening Net Assets, April 1, 2017	\$ 285,712	\$ 1,751,550	\$ 1,502,128	\$ 3,539,390
(Deficiency) Excess of revenue over expenses	(20,646)	5,397	(50,304)	(65,553)
<b>Net Assets, March 31, 2018</b>	<b>\$ 265,066</b>	<b>\$ 1,756,947</b>	<b>\$ 1,451,824</b>	<b>\$ 3,473,837</b>

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

# The CPA Education Foundation of British Columbia

## Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
(Deficiency) Excess of revenues over expenses	\$ (65,553)	\$ 358,140
Adjustments to determine net cash provided by (used in) operating activities		
Reinvested distribution from pooled funds	(56,478)	(97,703)
Realized gain on sale of investments	(29,502)	(217,434)
Unrealized loss (gain) on investments	33,833	(5,640)
Donated shares	-	(40,000)
	\$ (117,700)	\$ (2,637)
Change in non-cash working capital		
Accounts receivable	16,958	321
Accounts receivable from related party	174	11,272
Doctoral support receivable	9,999	9,156
Accounts payable and accrued liabilities	(26,500)	(30,608)
Accounts payable to related party	2,192	(172,866)
	\$ (114,877)	\$ (185,362)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(720,771)	(1,375,709)
Proceeds on sale of investments	682,714	1,356,909
Purchase of shares (Note 7)	(6,677)	(3,140)
	\$ (44,734)	\$ (21,940)
Net change in cash	\$ (159,611)	\$ (207,302)
Cash, beginning of year	\$ 234,548	\$ 441,850
<b>Cash, end of year</b>	<b>\$ 74,937</b>	<b>\$ 234,548</b>

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

# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2018

### Purpose

The Chartered Accountants' Education Foundation of British Columbia ("CAEF") was incorporated on July 12, 1990 under the Society Act (British Columbia) to advance accounting education in British Columbia.

On November 27, 2015, the CAEF held an extraordinary general meeting to approve an amended constitution and bylaws and to change its name to the Chartered Professional Accountants' Education Foundation of BC ("CPAEF").

On March 16, 2016, the CPAEF signed an Assignment and Assumption Agreement (the "Agreements") with each of the CMABC Scholarship Fund and the CGA-BC Educational Foundation in order for the CPAEF to carry on the combined activities of all three charitable educational entities.

The CPAEF is operating under the new British Columbia Societies Act as of March 31, 2018.

### 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 the CPAEF has no control, which are recorded when received.

#### b) *Revenue Recognition*

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Contributions for scholarships and endowments are recorded as revenue when received in the appropriate externally restricted fund.

#### c) *Accounting for Doctoral Support Program*

In 2006, the CPAEF launched a program of financial support in the form of forgivable loans for Chartered Professional Accountants 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 receivable at such time as this becomes determinable.

#### d) *Use of Estimates*

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported 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. Actual results could differ from those estimates. The areas requiring management estimates are valuation of the donated shares and accrued liabilities.

# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2018

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Donated Services*

The 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.

g) *Investments*

Investments 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.

h) *Remunerations of employees, contractors and directors*

In accordance with the recent changes to the BC Societies Act requiring disclosure of remunerations, no amount was paid to employees, contractors and directors.

### 2. INVESTMENTS

	March 31, 2018	March 31, 2017
Fixed income funds	\$ 1,470,131	\$ 1,413,894
Pooled income and equity funds	1,818,616	1,784,649
<b>Total investments</b>	<b>\$ 3,288,747</b>	<b>\$ 3,198,543</b>
Categorized as:		
Short-term investments	\$ 200,000	\$ 200,000
Long-term investments	3,088,747	2,998,543
<b>Total investments</b>	<b>\$ 3,288,747</b>	<b>\$ 3,198,543</b>

Fixed income funds include Canadian fixed income securities. Income and equity funds are invested in Canadian, US and international securities. The Canadian, US and International portion of the portfolio was 70%, 15% and 15% respectively at March 31, 2018 (2017 – 74%, 13% and 13%).

Investment income is comprised of the following:

	March 31, 2018	March 31, 2017
Interest and dividend income	\$ 94,876	\$ 6,906
Reinvested distributions from pooled funds	56,478	97,703
Realized gain on sale of investments	29,502	217,434
Unrealized (loss) gain in fair value of investments	(33,833)	5,640
	<b>\$ 147,023</b>	<b>\$ 327,683</b>

# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2018

### 3. 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). Since inception of the program in 2006, 7 candidates have been supported with a total of \$147,500.

During 2014, the requirements for forgiveness under one of the funding arrangements were not met. The \$50,000 funded over the term is repayable over five years commencing January of 2015 at an interest rate based on the Scotiabank prime rate as at December 1 of each year. Interest is being earned at 3.2% (2017 – 2.7%) on the average value of the repayable portion for the year. The amount repayable in the next fiscal year has been classified as current asset and collectability is reasonably assured.

### 4. NET ASSETS

Details of the net assets are as follows:

	2018	2017
<b>Externally Restricted Funds</b>		
Endowments	\$ 85,516	\$ 85,468
Scholarships and bursaries	179,550	200,244
	<b>\$ 265,066</b>	<b>\$ 285,712</b>
<b>Internally Restricted Funds</b>		
Donations from members	\$ 1,324,027	\$ 1,318,630
Bequests	432,920	432,920
	<b>\$ 1,756,947</b>	<b>\$ 1,751,550</b>
<b>Unrestricted</b>	<b>\$ 1,451,824</b>	<b>\$ 1,502,128</b>
<b>Total Net Assets</b>	<b>\$ 3,473,837</b>	<b>\$ 3,539,390</b>

Externally restricted funds have been specifically designated by donors for endowments, scholarships and bursaries funds.

Internally restricted funds are comprised of donations for specific programs, bequests and donations. Effective April 1, 2017, internally restricted donations are restricted indefinitely as the interest income from investments is sufficient to support current operations.

### 5. VANCOUVER FOUNDATION

The CPAEF holds \$345,000 in contributed principal with the Vancouver Foundation. The market value of these funds at year-end is \$513,991 (2017 - \$515,053). In accordance with the provisions of the Vancouver Foundation Act, the amounts are held permanently by the Vancouver Foundation. As the CPAEF has the right to receive only the investment income on these funds and has no access to the contributed principal, the CPAEF financial statements do not include amounts placed with the Vancouver Foundation.

### 6. RELATED PARTY TRANSACTIONS

The CPAEF elects its Board of Governors from among candidates recommended by CPABC's Board of Directors. The 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 owes CPAEF a net amount of \$13,368 (2017 – CPABC owed \$15,734 to CPAEF).

### 7. DONATED SHARES

The CPAEF received donations of preferred shares in Terrapin Mortgage Investment Corp. (TMIC). 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 are initially recorded at management's best estimate of fair value based on recent sales of TMIC preferred shares as these shares are not liquid and 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 \$6,677 (2017 – \$3,140) and it was reinvested.

### 8. FINANCIAL INSTRUMENTS

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

#### *Interest Rate Risk*

The CPAEF manages interest rate risk exposure of its fixed income investments in pooled funds holdings with varying terms and maturity dates. Investments in equity securities are not exposed to significant interest rate risk.

#### *Currency Risk*

The CPAEF mitigates the currency risk exposure of its foreign investments through diversification. The Canadian portion of the portfolio was 70% at March 31, 2018 (2017 – 74%).

#### *Credit and Market Risk*

The CPAEF has an investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The investments held by the CPAEF were compliant with the investment policy throughout the years ended March 31, 2018 and 2017. 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 based on factors related to the issuer.

### 9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to financial presentation adopted for the current year.