

# 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 numbers 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 an external auditor, 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  
May 22, 2019



**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 Chartered Professional Accountants' Education Foundation of British Columbia

### Opinion

We have audited the accompanying financial statements of Chartered Professional Accountants' Education Foundation of British Columbia, which comprise the Statement of Financial Position as at March 31, 2019, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 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 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 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.

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 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 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 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  
May 22, 2019

# Chartered Professional Accountants' Education Foundation of British Columbia

## Statement of Financial Position As at March 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 40,473	\$ 74,937
Accounts receivable	5,133	6,423
Accounts receivable from related party (Note 8)	17,651	15,562
Doctoral support receivable (Note 5)	7,500	10,000
Short term investments (Note 2)	300,000	200,000
Prepaid	4,775	-
	<b>375,532</b>	306,922
Investments (Note 3)	<b>3,055,399</b>	3,088,747
Donated shares (Note 9)	<b>97,268</b>	89,817
Doctoral support receivable (Note 5)	-	8,345
	<b>\$ 3,528,199</b>	<b>\$ 3,493,831</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,268	\$ 17,800
Accounts payable to related party (Note 8)	13,558	2,194
	<b>21,826</b>	19,994
<b>NET ASSETS (Note 6)</b>		
Externally restricted	245,030	265,066
Internally restricted	1,782,177	1,756,947
Unrestricted	1,479,166	1,451,824
	<b>3,506,373</b>	3,473,837
	<b>\$ 3,528,199</b>	<b>\$ 3,493,831</b>

Approved on behalf of the Board of Governors:

 \_\_\_\_\_ Governor

 \_\_\_\_\_ Governor

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

# Chartered Professional Accountants' Education Foundation of British Columbia

## Statement of Operations

For the year ended March 31, 2019

	2019	2018
<b>REVENUES</b>		
Investment income:		
Vancouver Foundation (Note 7)	\$ 19,752	\$ 18,669
Investment income (Note 4)	154,273	147,023
Donations	39,747	44,233
Other income (Note 5)	40,000	-
	<b>\$ 253,772</b>	<b>\$ 209,925</b>
<b>EXPENSES</b>		
Educational funding:		
Doctoral support program (Note 5)	\$ 30,000	\$ 20,000
Scholarship and bursaries	91,500	123,700
Funding to research universities	11,598	-
Events	57,440	102,699
	<b>\$ 190,538</b>	<b>\$ 246,399</b>
Audit and legal	8,943	9,801
Investment fee	17,307	16,402
Administration	4,448	2,876
	<b>\$ 221,236</b>	<b>\$ 275,478</b>
<b>Excess (deficiency) of Revenues over Expenses</b>	<b>\$ 32,536</b>	<b>\$ (65,553)</b>

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

## Chartered Professional Accountants' Education Foundation of British Columbia

### Statement of Changes in Net Assets

For the year ended March 31, 2019

	Externally Restricted	Internally Restricted	Unrestricted	Total
Opening Net Assets, April 1, 2017	\$ 285,712	\$ 1,751,550	\$ 1,502,128	\$ 3,539,390
Deficiency of revenue over expenses	(20,646)	-	(44,907)	(65,553)
Interfund transfer	-	5,397	(5,397)	-
<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>
Opening Net Assets, April 1, 2018	\$ 265,066	\$ 1,756,947	\$ 1,451,824	\$ 3,473,837
Excess (deficiency) of revenue over expenses	(20,036)	-	52,572	32,536
Interfund transfer	-	25,230	(25,230)	-
<b>Net Assets, March 31, 2019</b>	<b>\$ 245,030</b>	<b>\$ 1,782,177</b>	<b>\$ 1,479,166</b>	<b>\$ 3,506,373</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, 2019

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 32,536	\$ (65,553)
Adjustments to determine net cash provided by (used in) operating activities		
Reinvested distribution from pooled funds	(68,763)	(56,478)
Realized gain on sale of investments	(83)	(29,502)
Unrealized loss on investments	12,631	33,833
	\$ (23,679)	\$ (117,700)
Change in non-cash working capital		
Accounts receivable	1,290	16,958
Accounts receivable from related party	(2,089)	174
Doctoral support receivable	10,845	9,999
Prepaid	(4,775)	-
Accounts payable and accrued liabilities	(9,532)	(26,500)
Accounts payable to related party	11,364	2,192
	\$ (16,576)	\$ (114,877)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(591,705)	(720,771)
Proceeds on sale of investments	581,268	682,714
Purchase of shares (Note 9)	(7,451)	(6,677)
	\$ (17,888)	\$ (44,734)
Net change in cash	\$ (34,464)	\$ (159,611)
Cash, beginning of year	\$ 74,937	\$ 234,548
<b>Cash, end of year</b>	<b>\$ 40,473</b>	<b>\$ 74,937</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.

CPAEF is operating under the new British Columbia Societies Act starting 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 CPAEF has no control. Donations are recorded when received.

b) *Recognition of Contributions*

CPAEF follows the restricted fund method, whereby externally restricted contributions such as scholarships and endowments are recognized as revenue in the corresponding fund when received or are receivable. 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.

c) *Accounting for Doctoral Support Program*

In 2006, CPAEF launched 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 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.

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 fund 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**

	March 31, 2019	March 31, 2018
Pooled fixed income funds	\$ 300,000	\$ 200,000
Total short-term investments	<b>\$ 300,000</b>	<b>\$ 200,000</b>

Fixed income funds include high grade corporate and government bonds.

**3. INVESTMENTS**

	March 31, 2019	March 31, 2018
Pooled fixed income funds	\$ 1,183,796	\$ 1,270,131
Pooled equity funds	1,871,603	1,818,616
Total investments	<b>\$ 3,055,399</b>	<b>\$ 3,088,747</b>

Fixed income funds include high grade corporate and government bonds and equity funds are invested in Canadian, US and international securities.

**4. INVESTMENT INCOME**

	March 31, 2019	March 31, 2018
Interest and dividend income	\$ 98,058	\$ 94,876
Reinvested distributions from pooled funds	68,763	56,478
Realized gain on sale of investments	83	29,502
Unrealized loss in fair value of investments	(12,631)	(33,833)
	<b>\$ 154,273</b>	<b>\$ 147,023</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).

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. The amount repaid to date is \$42,500 and the remaining balance of \$7,500 repayable next year has been classified as current. Interest is being earned at 3.95% (2018 – 3.2%) on the average value of the outstanding repayable amount for the year.

During the fiscal year, the requirements for forgiveness under another funding arrangement were not met and the repayment of the \$40,000 loan was paid in full.

**6. RESTRICTED AND UNRESTRICTED FUNDS**

Details of the restricted and unrestricted funds are as follows:

	Externally Restricted – Endowment	Externally Restricted – Scholarships and Bursaries	Internally Restricted	Unrestricted	Total Net Asset
Donations	\$ -	\$ 4,517	\$ -	\$ 35,230	\$ 39,747
Investment income	-	1,247	-	172,778	174,025
Other income	-	-	-	40,000	40,000
Expenses	-	(25,800)	-	(195,436)	(221,236)
Excess (deficiency) of revenue over expenses	\$ -	\$ (20,036)	\$ -	\$ 52,572	\$ 32,536
Net Assets, April 1, 2018	85,516	179,550	1,756,947	1,451,824	3,473,837
Interfund transfer	-	-	25,230	(25,230)	-
<b>Net Assets, March 31, 2019</b>	<b>\$ 85,516</b>	<b>\$ 159,514</b>	<b>\$ 1,782,177</b>	<b>\$ 1,479,166</b>	<b>\$ 3,506,373</b>

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

Effective April 1, 2017, the Board of Governors internally restrict general donations indefinitely as the income from investment is sufficient to support current operations.

**7. VANCOUVER FOUNDATION**

CPAEF holds \$345,000 in contributed principal with the Vancouver Foundation. The market value of these funds at year-end is \$522,652 (2018 - \$513,991). 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 owes CPAEF a net amount of \$4,093 (2018 – CPABC owed \$13,368 to CPAEF).

## 9. DONATED SHARES

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 \$ 7,451 (2018 – \$6,677) and it was reinvested.

## 10. FINANCIAL INSTRUMENTS

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

### *Interest Rate Risk*

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*

CPAEF mitigates the currency risk exposure of its foreign investments through diversification. The Canadian portion of the portfolio was 70% at March 31, 2019 (2018 – 70%).

### *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. The investments held by CPAEF were compliant with the investment policy throughout the years ended March 31, 2019, and 2018. 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.

**11. 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.