

Financial Statements

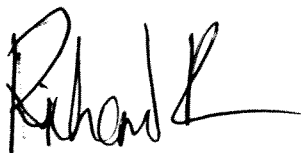
Management responsibility for financial reporting

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.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of Chartered Professional Accountants' Education Foundation of British Columbia (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 Board of Governors of the CPAEF (the "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 Board of Governors for its approval. In addition, the Committee meets periodically with management and the external auditors, and reports to the Board of Governors 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 Board of Governors on the recommendation of the Committee and whose appointment was ratified at the annual meeting of members. The external auditors have access to the Committee, without management present to discuss the results of their work.



Richard Rees, FCPA, FCA

President and Chief Executive Officer



Jan Sampson, FCPA, FCA

Executive Vice President, Education and Member Engagement

The CPA Education Foundation of British Columbia

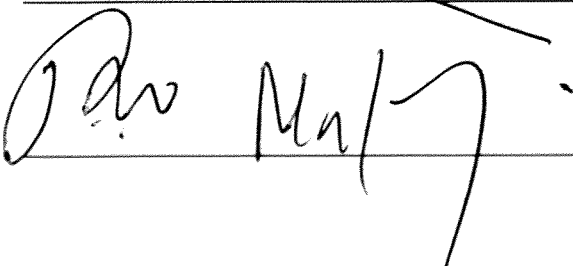
Statement of Financial Position

As at March 31	2016	2015
ASSETS		
Current		
Cash	\$ 118,959	\$ 27,117
Accounts receivable	8,608	-
Accounts receivable from related party (Note 6)	19,665	36,200
Investments (Note 2)	1,766,488	1,818,707
Doctoral support receivable (Note 3)	10,000	-
Interest receivable	4,223	3,995
GST receivable	1,578	530
	1,929,521	1,886,549
Donated Asset (Note 7)	40,000	-
Doctoral support receivable (Note 3)	27,500	47,500
	\$ 1,997,021	\$ 1,934,049
LIABILITIES		
Educational funding payable	\$ -	\$ 10,000
Accounts payable and accrued liabilities	17,301	11,863
Accounts payable to related party (Note 6)	152,749	-
	170,050	21,863
NET ASSETS		
Externally restricted (Note 4)	125,496	66,093
Internally restricted (Note 4)	999,263	976,209
Unrestricted (Note 4)	702,212	869,884
	1,826,971	1,912,186
	\$ 1,997,021	\$ 1,934,049

See accompanying notes

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

Year ended March 31	2016	2015
REVENUES		
Earned investment income		
Vancouver Foundation	\$ 17,118	\$ 16,127
Investment income (Note 2)	186,137	132,604
Chartered Professional Accountants of British Columbia (Note 6)	-	36,200
Donations from members	49,717	17,133
Other income	14,745	-
Doctoral support repayable	-	10,000
Donated Asset (Note 7)	40,000	-
	307,717	212,064
EXPENSES		
Educational funding		
Universities and colleges	-	25,000
Doctoral support program (Note 3)	-	10,000
Scholarship and bursaries	61,773	59,350
Events	70,151	13,678
	131,924	108,028
Investment fee	12,169	12,508
Administrative		
Audit and legal	8,796	7,865
Meetings	1,087	2,198
General office	600	213
	22,652	22,784
	154,576	130,812
EXCESS OF REVENUES OVER EXPENSES BEFORE UNREALIZED (LOSS) GAIN ON INVESTMENTS	153,641	81,252
Unrealized (loss) gain on investments at year end	(238,356)	34,746
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ (85,215)	\$ 115,998

See accompanying notes

The CPA Education Foundation of British Columbia

Statement of Changes in Net Assets

Year ended March 31, 2016	Externally Restricted	Internally Restricted	Unrestricted	Total
NET ASSETS, BEGINNING OF YEAR	\$ 66,093	\$ 976,209	\$ 869,884	\$ 1,912,186
(Deficiency) Excess of revenue over expenses	59,403	23,054	(167,672)	(85,215)
NET ASSETS, END OF YEAR	\$ 125,496	\$ 999,263	\$ 702,212	\$ 1,826,971

Year ended March 31, 2015	Externally Restricted	Internally Restricted	Unrestricted	Total
NET ASSETS, BEGINNING OF YEAR	\$ 64,593	\$ 974,255	\$ 757,340	\$ 1,796,188
Excess of revenues over expenses	1,500	1,954	112,544	115,998
NET ASSETS, END OF YEAR	\$ 66,093	\$ 976,209	\$ 869,884	\$ 1,912,186

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31	2016	2015
OPERATING ACTIVITIES		
Cash Receipts		
Earned investment income		
Vancouver Foundation	\$ 16,890	\$ 16,127
Investment income (Note 2)	186,137	132,456
Other revenue	14,745	-
Doctoral support receivable payments	10,000	12,500
Donations received	57,644	17,133
	<u>285,416</u>	<u>178,216</u>
Cash Disbursements		
Educational funding	-	100,028
Payments to suppliers	7,437	20,050
	<u>7,437</u>	<u>120,078</u>
	<u>277,979</u>	<u>58,138</u>
INVESTING ACTIVITIES		
Reinvestment of investment income	-	(90,044)
Distributions	(120,631)	-
Purchase of investments	(271,007)	(45,000)
Redemption of investments	205,501	102,476
	<u>(186,137)</u>	<u>32,568</u>
NET INCREASE IN CASH	91,842	25,570
CASH, BEGINNING OF YEAR	27,117	1,547
CASH, END OF YEAR	\$ 118,959	\$ 27,117

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

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 June 24, 2015 the Chartered Professional Accountants Act (CPA Act) was proclaimed which created the Chartered Professional Accountants of BC (CPABC) by amalgamating the Institute of Chartered Accountants of BC, Society of Certified Management Accountants of BC and the Association of Certified General Accountants of BC ("Legacy Bodies"). Respectively, each of these Legacy Bodies had a charitable educational entity: CAEF, CMABC Scholarship Fund and the CGA-BC Educational Foundation.

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 whereby the CPAEF would receive absolutely the capital of the CMABC Scholarship Fund and the CGA-BC Educational Foundation and any additional funds or other assets donated or contributed to these entities and any income received thereon or in respect thereof from and after April 1, 2016 (the "Transfer Date") to the CPAEF. Under these Agreements, the CPAEF agrees to assume and pay and satisfy all existing and future liabilities and to indemnify the CMABC Scholarship Fund and the CGA-BC Educational Foundation and their respective Trustees from and against any and all liabilities.

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 Foundation 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. All restricted contributions are recognized as revenue in the appropriate restricted fund.

c) *Accounting for Educational Funding*

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

The CPA Education Foundation of British Columbia

reporting period. Actual results could differ from those estimates. The areas requiring management estimates are accrued liabilities and the amount of educational funding payable.

e) *Donated Services*

The CPAEF benefits from donated services in the form of volunteer time for various committees and the provision of management, accounting and administrative services from CPABC. The value of donated services is not recognized in these financial statements.

f) *Donated Asset*

Donated assets are recorded at estimated fair value at the time of donation.

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.

2. INVESTMENTS

The CPAEF holds its investments in mutual funds on which it may earn interest and dividend income. Investments in mutual funds are valued at their reported net asset value and as a result are subject to both appreciation and depreciation in fair value, which is recognized in the statement of operations. These investments can be redeemed at any time. Throughout the year the underlying investments held were comprised of a mix of 44% of fixed income securities and 56% of equities, and include Canadian and foreign investments. Effective interest rates are 0.5% to 3.5% (2015 – 0.9% to 3.0%). The CPAEF's investment philosophy is to invest conservatively with highly rated counterparties with the objective of preserving the purchasing power of the Foundation's capital over the long term while earning a reasonable rate of return.

Investment income is comprised of the following:

	2016		2015
Interest income	\$ 120,526	\$	89,989
Realized gains	65,506		42,522
Investment firm rebate	105		93
	\$ 186,137	\$	132,604

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 2007, five candidates have been supported with a total of \$117,500.

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 2.7% (2015 - 3%) on the average value of the repayable portion for the year. During 2015, another recipient returned \$10,000 of a forgivable loan of \$20,000. As the recipient has chosen not to continue teaching at a BC university as required under the terms of the agreement, the recipient was required to payback only \$10,000.

The CPA Education Foundation of British Columbia

4. NET ASSETS

Details of the net assets are as follows:

	2016	2015
Externally Restricted Funds		
Scholarship and endowment fund	\$ 125,496	\$ 66,093
Internally Restricted Funds		
Donations from members	566,343	540,849
Bequests	432,920	432,920
Anonymous donation to support accounting educators	-	2,440
	<u>999,263</u>	<u>976,209</u>
Unrestricted		
Contribution from the Memorial Scholarship Fund	87,429	86,929
Accumulated excess of revenues over expenditures	614,783	782,955
	<u>702,212</u>	<u>869,884</u>
	<u>\$ 1,826,971</u>	<u>\$ 1,912,186</u>

Externally restricted funds have been specifically designated by donors for scholarships and endowment funds.

Internally restricted funds are comprised of donations for specific programs, bequests and donations which are internally restricted for a minimum period of ten years and are currently restricted indefinitely, as the interest income from investments is sufficient to support current operations.

Included in unrestricted net assets is the contribution from the Memorial Scholarship Fund. When the fund was dissolved, the residual funds were transferred to the CPAEF.

Awards for educational funding are made in recognition of or in the name of:

- Alexander Campbell
- Geoffrey W.J. Carter
- John Hadfield
- Jim Miller Educational Endowment Fund
- Desmond O'Brien
- William G. Rowe
- Peter Stanley

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 \$477,415 (2015 - \$488,601). 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 INFORMATION

The CPAEF elects its Board of Governors from among candidates recommended by CPABC's board of Governors. 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, CPAEF owes CPABC a net of \$133,084 (2015 – CPABC owed \$36,200 to CPAEF).

7. DONATED ASSET

The CPAEF received donations of preferred shares in Terrapin Mortgage Investment Corp.(TMIC) during the year. 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 recorded at management's best estimate of fair value at the time of donation and are redeemable only at the discretion of the corporation. In addition, dividends are payable at the discretion of the corporation.

8. FINANCIAL INSTRUMENTS

The CPAEF's financial instruments consist of cash, accounts receivable, investments, donated asset, interest receivable, educational funding payable, and accounts payable and accrued liabilities.

Interest Rate Risk

The CPAEF manages interest rate risk exposure by holding its fixed income investments through holdings in mutual funds, as summarized in Note 2, which are professionally managed. The performance of the fund managers is monitored by the Board of Governors. The market value of the fixed income investments will fluctuate with changes in interest rates.

Currency Risk

The CPAEF mitigates the currency risk exposure of its foreign investments through diversification. The Canadian, United States and International portion of the portfolio was 71%, 15% and 14% respectively at March 31, 2016 (2015 – 70%, 15% and 15%).

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, 2016 and 2015. Risk and volatility of investment returns are mitigated through the diversification of investments in different geographic regions and different investment vehicles, however the equity investments are subject to change in value with fluctuations in market prices. CPAEF did not hold any asset-backed commercial paper or hedge funds during the year.

Other Risk

The value of the donated asset of Terrapin Mortgage Investment Corp. preferred shares may fluctuate based on factors related to the issuer.