

ANNUAL FINANCIAL STATEMENTS

March 31, 2022

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 24, 2022



Lori Mathison, FCPA, FCGA, LLB, BCL

President and Chief Executive Officer



Jan Sampson, FCPA, FCA

Executive Vice President, Member and Student Experience



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
1100 Royal Centre
1055 West Georgia Street
Vancouver BC V6E 3P3 Canada

Independent Auditor's Report

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, 2022, 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, 2022, 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.



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 28, 2022

Chartered Professional Accountants' Education Foundation of British Columbia

Statement of Financial Position

As at March 31, 2022

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 44,100	\$ 60,787
Accounts receivable	6,318	5,441
Accounts receivable from related party (Note 8)	30,784	13,511
Doctoral support receivable (Note 5)	10,000	10,000
Short term investments (Note 2)	200,000	100,000
Prepaid expenses	7,500	-
	298,702	189,739
Investments (Note 3)	3,517,074	3,558,182
Doctoral support receivable (Note 5)	10,000	20,000
Donated shares (Note 9)	117,241	111,591
	\$ 3,943,017	\$ 3,879,512
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 19,354	\$ 6,784
Accounts payable to related party (Note 8)	242	22
	19,596	6,806
NET ASSETS		
Externally restricted (Note 6)		
Endowment	85,516	85,516
Scholarships and bursaries	158,150	153,180
Internally restricted (Note 6)	1,894,837	1,859,366
Unrestricted	1,784,918	1,774,644
	3,923,421	3,872,706
	\$ 3,943,017	\$ 3,879,512

Approved on behalf of the Board of Governors:



Keri Norrie, FCPA, FCA, CGA
Chair of the Board



Martha Thomas, CPA, CA
Treasurer

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

Chartered Professional Accountants' Education Foundation of British Columbia

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2022

	Externally Restricted				Internally Restricted		Unrestricted		Total	
	Endowment		Scholarships and Bursaries							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
REVENUES										
Investment Income:										
Vancouver Foundation (Note 7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,755	\$ 20,885	\$ 20,755	\$ 20,885
Investment income (Note 4)	5,666	6,646	185	160	-	-	159,427	892,236	165,278	899,042
Donations	-	-	20,000	19,097	35,471	35,997	-	-	55,471	55,094
Other income (Note 5)	-	-	-	-	-	-	-	40,000	-	40,000
Total Revenues	\$ 5,666	\$ 6,646	\$ 20,185	\$ 19,257	\$ 35,471	\$ 35,997	\$ 180,182	\$ 953,121	\$ 241,504	\$ 1,015,021
EXPENSES										
Educational Funding:										
Doctoral support program (Note 5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 30,000	\$ 20,000	\$ 30,000
Scholarships and bursaries	-	-	15,300	22,300	-	-	80,800	91,200	96,100	113,500
Funding to research universities	-	-	-	-	-	-	10,000	-	10,000	-
Events	-	-	-	-	-	-	34,768	23,063	34,768	23,063
Total Educational Funding Expenses	\$ -	\$ -	\$ 15,300	\$ 22,300	\$ -	\$ -	\$ 145,568	\$ 144,263	\$ 160,868	\$ 166,563
Audit and legal	-	-	-	-	-	-	11,578	9,168	11,578	9,168
Investment fee	-	-	-	-	-	-	17,129	15,518	17,129	15,518
Administration	-	-	-	-	-	-	1,214	295	1,214	295
Total Expenses	\$ -	\$ -	\$ 15,300	\$ 22,300	\$ -	\$ -	\$ 175,489	\$ 169,244	\$ 190,789	\$ 191,544
Excess (deficiency) of Revenue over Expenses	\$ 5,666	\$ 6,646	\$ 4,885	\$ (3,043)	\$ 35,471	\$ 35,997	\$ 4,693	\$ 783,877	\$ 50,715	\$ 823,477
Net Asset, beginning of year	85,516	85,516	153,180	156,223	1,859,366	1,823,369	1,774,644	984,121	3,872,706	3,049,229
Interfund transfer	(5,666)	(6,646)	85	-	-	-	5,581	\$ 6,646	-	-
Net Asset, end of year	\$ 85,516	\$ 85,516	\$ 158,150	\$ 153,180	\$1,894,837	\$ 1,859,366	\$ 1,784,918	\$ 1,774,644	\$ 3,923,421	\$ 3,872,706

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, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 50,715	\$ 823,477
Changes in non-cash items:		
Reinvested distribution from pooled funds	(126,253)	(60,588)
Reinvested distribution from donated shares (Note 9)	(5,650)	(6,632)
Realized gain on sale of investments	(67,280)	(50,464)
Unrealized loss (gain) on investments	132,568	(683,813)
	\$ (15,900)	\$ 21,980
Change in non-cash working capital		
Accounts receivable	(877)	(157)
Accounts receivable from related party	(17,273)	(3,404)
Doctoral support receivable	10,000	(30,000)
Prepaid expenses	(7,500)	-
Accounts payable and accrued liabilities	12,570	(1,695)
Accounts payable to related party	220	12
	\$ (18,760)	\$ (13,264)
INVESTING ACTIVITIES		
Purchase of investments	\$ (185,107)	\$ (442,295)
Proceeds on sale of investments	187,180	444,750
	\$ 2,073	\$ 2,455
Net change in cash	\$ (16,687)	\$ (10,809)
Cash, beginning of year	60,787	71,596
Cash, end of year	\$ 44,100	\$ 60,787

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 and the collection of doctoral support receivables.

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

	2022	2021
Pooled fixed income funds	\$ 200,000	\$ 100,000
Total short-term investments	\$ 200,000	\$ 100,000

Fixed income funds include high grade corporate and government bonds.

3. INVESTMENTS

	2022	2021
Pooled fixed income funds	\$ 1,212,525	\$ 1,354,917
Pooled equity funds	2,304,549	2,203,265
Total investments	\$ 3,517,074	\$ 3,558,182

Pooled fixed income funds include high grade corporate and government bonds and pooled 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, 2022 (2021 – 60%, 20%, 20%).

4. INVESTMENT INCOME

	2022	2021
Interest and dividend income	\$ 104,313	\$ 104,177
Reinvested distributions from pooled funds	126,253	60,588
Realized gain on sale of investments	67,280	50,464
Unrealized (loss) gain on fair value of investments	(132,568)	683,813
	\$ 165,278	\$ 899,042

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 and the annual support payments totaled \$20,000 (2021 - \$30,000).

During 2021, one of the recipients did not meet the requirement for forgiveness which triggered the repayment provision of the \$40,000 loan commencing March 1, 2021. In compliance with the agreement, the amount repaid to date was \$20,000 and interest charged on the remaining outstanding amount is based on the Scotiabank prime rate as at December 31 of each year. The amount repayable in the next fiscal year has been classified as a 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.

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

7. VANCOUVER FOUNDATION

Endowment fund with a fair value of \$573,194 (2021 - \$565,389) is held by the Vancouver Foundation. As the endowment fund is held in perpetuity for the benefit of CPAEF and the capital is held permanently by Vancouver Foundation, the fund is not included in the CPAEF's financial statements.

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 a net amount of \$30,542 (2021 – CPABC owed \$13,489 to CPAEF), including donations collected from members on behalf of CPAEF.

9. DONATED SHARES

CPAEF received donations of \$80,000 worth of preferred shares in Terrapin Mortgage Investment Corp. (TMIC) which have 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 the market value upon acquisition becomes the cost in subsequent years. 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 \$5,650 (2021 – \$6,632) which were reinvested. Dividends received from the Terrapin Mortgage Investment Corp. (TMIC) are not subject to external restrictions and may be used for any purpose.

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, 2022 (2021 – 60%).

Credit and Other Price 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 donated Terrapin Mortgage Investment Corp. preferred shares are not liquid and their value 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.