

# 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 CPAEF (the "Board").

Preparation of financial information is an integral part of CPABC 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 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 for its approval. In addition, the Committee meets periodically with management and the external auditors, and reports to the 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 Board 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.



**Olin Anton, FCPA, FCA**

Interim President and Chief Executive Officer



**Jan Sampson, FCPA, FCA**

Executive Vice President, Education and Member Engagement



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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, 2017, 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, 2017, 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.



### **Emphasis of Matter**

We draw attention to Note 2 to the financial statements in which management of Chartered Professional Accountants' Education Foundation of British Columbia describes and explains that combined comparative financial information is presented at March 31, 2016 and for the year then ended. This comparative financial information is presented by management in order to provide context to readers in understanding the amalgamation transaction which occurred on April 1, 2016 to combine the assets and obligations of the Chartered Professional Accountants' Education Foundation, the Certified Management Accountants of British Columbia Scholarship Fund, and the Certified General Accountant Association of British Columbia Educational Foundation. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

### **Report on Other Legal and Regulatory Requirements**

As required by the Society Act (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 26, 2017

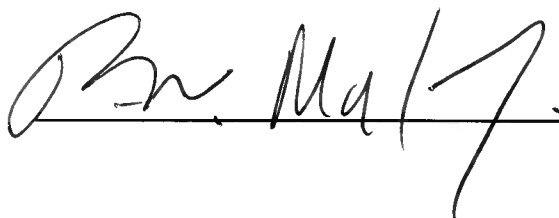
# The CPA Education Foundation of British Columbia

## Statement of Financial Position (Note 2)

<b>As at March 31</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 234,548	\$ 441,850
Accounts receivable	23,381	23,702
Accounts receivable from related party (Note 7)	15,736	27,008
Doctoral support receivable (Note 4)	10,833	10,000
Short term investments (Note 3)	200,000	125,000
	<b>484,498</b>	<b>627,560</b>
Investments (Note 3)	2,998,543	2,733,966
Donated shares (Note 8)	83,140	40,000
Doctoral support receivable (Note 4)	17,511	27,500
	<b>\$ 3,583,692</b>	<b>\$ 3,429,026</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 44,300	\$ 74,908
Accounts payable to related party (Note 7)	2	172,868
	<b>44,302</b>	<b>247,776</b>
<b>NET ASSETS</b>		
Externally restricted (Note 5)	285,712	223,020
Internally restricted (Note 5)	1,751,550	1,573,011
Unrestricted (Note 5)	1,502,128	1,385,219
	<b>3,539,390</b>	<b>3,181,250</b>
	<b>\$ 3,583,692</b>	<b>\$ 3,429,026</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 (Note 2)

Year ended March 31	2017	2016
<b>REVENUES</b>		
Investment income:		
Vancouver Foundation	\$ 17,998	\$ 17,118
Investment income (Note 3)	224,340	228,044
Donations	136,936	128,655
Donated shares (Note 8)	40,000	40,000
	<b>\$ 419,274</b>	<b>\$ 413,817</b>
<b>EXPENSES</b>		
Educational funding:		
Doctoral support program (Note 4)	\$ 10,000	\$ -
Scholarship and bursaries	101,250	129,773
Events	23,945	84,750
	<b>\$ 135,195</b>	<b>\$ 214,523</b>
Audit and legal	11,150	18,741
Investment fee	12,124	12,169
Administration	6,008	3,558
	<b>\$ 164,477</b>	<b>\$ 248,991</b>
<b>Excess of Revenues over Expenses before unrealized gain (loss) on investments</b>	<b>\$ 254,797</b>	<b>\$ 164,826</b>
Unrealized gain (loss) on investments at year end	103,343	(273,857)
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>\$ 358,140</b>	<b>\$ (109,031)</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 (Note 2)

	Externally Restricted	Internally Restricted	Unrestricted	Total
Opening Net Assets, April 1, 2015	\$ 162,011	\$ 1,554,042	\$ 1,574,228	\$ 3,290,281
(Deficiency) Excess of revenue over expenses	61,009	18,969	(189,009)	(109,031)
<b>Net Assets, March 31, 2016</b>	<b>\$ 223,020</b>	<b>\$ 1,573,011</b>	<b>\$ 1,385,219</b>	<b>\$ 3,181,250</b>
Opening Net Assets, April 1, 2016	\$ 223,020	\$ 1,573,011	\$ 1,385,219	\$ 3,181,250
Excess of revenues 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>

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

# The CPA Education Foundation of British Columbia

## Statement of Cash Flows

(Note 2)

<b>Year ended March 31</b>	<b>2017</b>	<b>2016</b>
<b>OPERATING ACTIVITIES</b>		
Excess (Deficiency) of revenues over expenses	\$ 358,140	\$ (109,031)
Adjustments to determine net cash provided by (used in) operating activities		
Unrealized (gain) loss on investments	(103,343)	273,857
Change in non-cash working capital		
Accounts receivable	321	5,462
Accounts receivable from related party	11,272	9,192
Donated shares	(43,140)	(40,000)
Doctoral support receivable	9,156	10,000
Accounts payable and accrued liabilities	(30,608)	5,940
Accounts payable to related party	(172,866)	167,749
Amortization of equipment and leaseholds	-	31
	\$ 28,932	\$ 323,200
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,593,143)	(419,419)
Proceeds on sale of investments	1,356,909	270,082
	\$ (236,234)	\$ (149,337)
Net (decrease) increase in cash	\$ (207,302)	\$ 173,863
<b>Cash, beginning of year</b>	<b>\$ 441,850</b>	<b>\$ 267,987</b>
<b>Cash, end of year</b>	<b>\$ 234,548</b>	<b>\$ 441,850</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, 2017

## 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 continuing under the new British Columbia Societies Act and has until November 28, 2018 to complete transition.

## 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



# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2017

reporting period. Actual results could differ from those estimates. The areas requiring management estimates are valuation of the donated shares and accrued liabilities.

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. The value of donated services is not recognized in these financial statements.

f) *Donated Shares*

Donated shares are recorded at estimated fair value at the time of donation. At the end of each reporting period the 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.

## 2. AMALGAMATION OF THE EDUCATION FOUNDATIONS

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: CPAEF (formerly "CAEF"), CMABC Scholarship Fund ("Fund") and the CGA-BC Educational Foundation ("Foundation").

On March 16, 2016, the CPAEF signed an Assignment and Assumption Agreement (the "Agreements") with each of the Fund and the Foundation in order for the CPAEF to carry on the activities of all three charitable educational entities. Under these Agreements, the CPAEF would receive absolutely the capital of the Fund and the 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 and that the CPAEF agrees to assume and pay and satisfy all existing and future liabilities and to indemnify the Fund and the Foundation and their respective Trustees from and against any and all liabilities.

As there is no identified acquirer in the amalgamation of the three charitable educational entities, the pooling of interest method has been used to combine the assets, obligations, and operations of the entities. Under this method, the financial statements of the CPAEF, the Fund and the Foundation were combined to form the current year figures and comparative figures as if the three entities had been combined from inception.

Although the financial statements for each of the entities as at March 31, 2016 were audited, the combined comparative figures are unaudited.

The following table provides the net assets, obligations and operations of each of the entities which were brought into the combination on April 1, 2016.

	CPAEF	CGAEF	CMA SF	Total as of April 1, 2016
Total Assets	1,997,022	786,649	645,355	3,429,026
Total Liabilities	170,050	6,115	71,611	247,776

# The CPA Education Foundation of British Columbia

Notes to Financial Statements

March 31, 2017

## 3. INVESTMENTS

	March 31, 2017		March 31, 2016	
Guarantee investment certificates (GICs)	\$	-	\$	559,951
Fixed income bonds		1,413,894		780,877
Pooled funds and equities		1,784,649		1,518,138
<b>Total investments</b>	<b>\$</b>	<b>3,198,543</b>	<b>\$</b>	<b>2,858,966</b>
Categorized as:				
Short-term investments	\$	200,000	\$	125,00
Long-term investments		2,998,543		2,733,96
<b>Total investments</b>	<b>\$</b>	<b>3,198,543</b>	<b>\$</b>	<b>2,858,96</b>

Fixed income bonds include Canadian corporate and government exchange traded funds and US investment grade exchange traded funds. Equities are invested in Canadian and international securities.

Investment income is comprised of the following:

	March 31, 2017		March 31, 2016	
Interest and dividend income	\$	6,906	\$	144,797
Realized gains		217,434		83,247
		224,340		228,044
Unrealized gains (losses)		103,343		(273,857)
	<b>\$</b>	<b>327,683</b>	<b>\$</b>	<b>(45,813)</b>

## 4. 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, 6 candidates have been supported with a total of \$127,500.

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% (2016 – 2.7%) on the average value of the repayable portion for the year.

# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2017

### 5. NET ASSETS

Details of the net assets are as follows:

	2017	2016
<b>Externally Restricted Funds</b>		
Endowments	\$ 85,468	45,406
Scholarships and bursaries	200,244	177,614
	\$ 285,712	\$ 223,020
<b>Internally Restricted Funds</b>		
Donations from members	\$ 1,318,630	\$ 1,140,091
Bequests	432,920	432,920
	\$ 1,751,550	\$1,573,011
<b>Unrestricted</b>	\$ 1,502,128	\$ 1,385,219
<b>Total Net Assets</b>	\$ 3,539,390	\$ 3,181,250

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 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.

### 6. VANCOUVER FOUNDATION

The CPAEF holds \$345,000 in contributed principal with the Vancouver Foundation. The market value of these funds at year-end is \$515,053 (2016 - \$477,415). 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.

### 7. 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 of \$15,734 (2016 – CPAEF owed \$145,860 to CPABC).

### 8. DONATED SHARES

The CPAEF received donations of preferred shares in Terrapin Mortgage Investment Corp. (TMIC) during the year and prior 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.

# The CPA Education Foundation of British Columbia

## Notes to Financial Statements

March 31, 2017

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.

### 9. FINANCIAL INSTRUMENTS

The CPAEF's financial instruments consist of cash, accounts receivable, investments, donated shares, 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 pooled funds and equities, as summarized in Note 3, 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 74%, 13% and 13% respectively at March 31, 2017 (2016 – 80%, 10% and 10%).

#### *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, 2017 and 2016. 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.