

Auditors' Report

TO THE MEMBERS,

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF MANITOBA

We have audited the statement of financial position of The Institute of Chartered Accountants of Manitoba as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke + Partners

Winnipeg, Manitoba
April 20, 2007

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

STATEMENT OF FINANCIAL POSITION As At March 31

	2007	2006
Assets		
Current		
Cash	\$1,042,400	\$ 853,200
Accounts receivable	30,600	20,700
Prepays	54,000	37,900
	1,127,000	911,800
Long term investments (note 4)	966,200	823,600
Capital assets (note 7)	128,400	128,000
	\$2,221,600	\$1,863,400
Liabilities		
Current		
Accounts payable	\$ 580,200	\$ 461,800
Unearned fees	524,700	461,200
Obligation under capital lease (note 8)	8,200	10,200
	1,113,100	933,200
Non-current		
Obligation under capital lease (note 8)	-	8,200
Deferred lease inducements (note 9)	33,600	35,900
	33,600	44,100
Net Assets		
Invested in capital assets	120,200	109,600
Internally restricted (note 10)	100,000	100,000
Unrestricted	854,700	676,500
	1,074,900	886,100
	\$2,221,600	\$1,863,400

Commitments (note 8)

Approved by Council



J.G. Morton, FCA
President & Chair of Council



I.R. Seymour, CA
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

STATEMENT OF OPERATIONS For the Year Ended March 31

	2007	2006
Revenue		
Members annual fees	\$1,973,800	\$1,906,800
Less CICA portion	797,200	790,300
	1,176,600	1,116,500
Professional development	350,900	251,700
Practitioners assessments and practice review	215,100	187,300
Investment and other (note 3)	117,300	94,500
Members activities	68,500	58,200
Entrance fees	50,400	40,300
	1,978,800	1,748,500
Expense		
Administration (note 11)	1,025,700	938,500
Professional development	217,600	161,700
University support	162,500	162,500
Public relations	155,800	121,300
Members activities	110,200	98,100
Strategic initiatives	58,100	19,700
Amortization	56,100	55,100
Professional conduct and membership	28,800	87,900
Presidential honorarium	15,000	15,000
CICA and interprovincial meetings	14,300	16,800
General and library	12,700	11,400
Annual meetings and bylaws	9,300	9,800
Interest on capital lease	900	1,700
	1,867,000	1,699,500
Excess revenue over expense	\$ 111,800	\$ 49,000

The Institute of Chartered Accountants of Manitoba

STATEMENT OF CHANGES IN NET ASSETS For the Year Ended March 31

				2007	2006
Net Assets	Invested in Capital Assets	Internally Restricted (note 10)	Unrestricted		
Balance, beginning of year	\$ 109,600	\$ 100,000	\$ 676,500	\$ 886,100	\$ 837,100
Change in accounting policy (note 3)	-	-	77,000	77,000	-
Excess revenue (expense)	(56,100)	-	167,900	111,800	49,000
Investment in capital assets	66,700	-	(66,700)	-	-
Balance, end of year	\$ 120,200	\$ 100,000	\$ 854,700	\$1,074,900	\$ 886,100

STATEMENT OF CASH FLOWS For the Year Ended March 31

	2007	2006
Operating Activities		
Cash Receipts		
Members fees	\$1,551,900	\$1,372,400
Self funding activities	380,300	270,900
Investment and other	123,200	94,500
	2,055,400	1,737,800
Cash Disbursements	1,728,000	1,702,600
	327,400	35,200
Investing and Financing Activities		
Investments acquired	(247,600)	(148,600)
Investments sold	176,100	89,600
Capital assets acquired	(56,500)	(37,300)
Capital lease payments	(10,200)	(9,400)
	(138,200)	(105,700)
Change in cash	189,200	(70,500)
Cash, beginning of year	853,200	923,700
Cash, end of year	\$1,042,400	\$ 853,200

The Institute of Chartered Accountants of Manitoba

NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2007

1. Purpose and objectives

The Institute of Chartered Accountants of Manitoba (Institute) is the self-regulating body for all Chartered Accountants in Manitoba. Its mission is to continue to be the leading professional accounting organization in Manitoba, to protect the public interest, and to provide exceptional services and programs which members value.

The Institute was incorporated by *The Chartered Accountants Act*, a special act of the Manitoba Legislature. As a not-for-profit association, the Institute is exempt from tax under the *Income Tax Act*.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Long term investments

Long term investments are classified as held-for-trading and are recorded at fair value. Fair values are estimated using quoted market prices.

b) Capital assets

Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets:

▪ Equipment under capital lease	5 years
▪ Office furniture and equipment	5-10 years
▪ Computer equipment	3 years
▪ Leasehold improvements	10 years
▪ Computer database system	3 years
▪ Communications initiatives	3 years

c) Deferred lease inducements

Lease inducements are amortized on a straight line basis over the life of the lease.

d) Revenue recognition

Member, student, and practitioner fees are recognized in the year to which they relate. Course and activity revenue are recognized when the event is presented.

Investment income is recorded on a proportionate share of revenue, gains, losses, and expenses within the pooled funds, as well as on disposition of units owned. Investment income includes dividend and interest income and realized gains and losses. Commencing in 2007, unrealized gains and losses are also recognized.

e) Administration expense

Administration expense reflects all salaries and indirect costs, including those of professional development and office practice assistance. Salaries and indirect expenses are not allocated to other expense categories.

f) Donated services

The work of the Institute is dependent on the voluntary service of many members and public representatives. The value of donated services is not recognized in these statements.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Change in accounting policy

In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments that affect the Institute, Section 3855 and Section 3861. Section 3855 Financial Instruments – Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments – Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

The Institute has adopted both of the sections for the fiscal year ended March 31, 2007. These standards were applied retroactively without restatement of comparative financial statements. As at April 1, 2006 the Institute recorded a non-cash credit of \$77,000 to net assets for the change in accounting for financial assets which are classified as held-for-trading and are measured at fair value instead of cost. The effect of the change for the year ended March 31, 2007 was a decrease in investment and other income and excess revenue of \$5,900.

4. Financial instruments

The Institute's financial instruments consist of cash, accounts receivable, long term investments, accounts payable and obligation under capital lease. The fair values of cash, accounts receivable, accounts payable and obligation under capital lease approximate their carrying amounts. The fair value of long term investments is disclosed below.

	2007		2006	
	Market	Cost	Market	Cost
Canadian fixed income funds	\$348,600	\$344,200	\$404,400	\$399,200
Equity funds	433,600	415,000	335,000	293,700
Canadian real estate funds	<u>184,000</u>	<u>135,900</u>	<u>161,200</u>	<u>130,700</u>
	<u>\$966,200</u>	<u>\$895,100</u>	<u>\$900,600</u>	<u>\$823,600</u>

Investments are in pooled funds, which are managed by GWL Investment Management Ltd.

The fixed income funds invest primarily in federal and provincial government debt obligations, medium to high quality corporate debt securities and mortgages on Canadian property. The government debt obligations and medium to high quality corporate debt securities within the fixed income funds have an average effective interest rate of 5.2%, with maturity dates ranging from 3 to 20 years.

As at March 31, 2007, approximately 72% of the fixed income funds were comprised of mortgage investments. These investments have an average effective interest rate of 5.9% and an average term of 6.7 years.

The equity funds invest predominantly in shares of Canadian companies demonstrating above average growth potential, publicly traded shares in the U.S. market, and a combination of common shares and other equity investments issued by non-North American companies which are traded primarily outside Canada and the United States.

As at March 31, 2007, the Institute's equity funds include the following foreign currencies: US-\$110,800, European-\$77,900, Japanese-\$22,200, and Other-\$11,100.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

Investment and other income is comprised of the following:

	<u>2007</u>	<u>2006</u>
Interest from cash	\$ 28,300	\$15,400
Interest and dividends from pooled funds	36,200	33,100
Realized gains on sale of investments	43,500	33,600
Unrealized loss on investments	(5,900)	-
Other non investment income	15,200	12,400
	<u>\$117,300</u>	<u>\$94,500</u>

5. Disclosure of controlled entity

The Institute controls the Manitoba Chartered Accountants Foundation Inc. (Foundation) by its right to approve the Foundation's strategic plans. The purpose of the Foundation is to foster, encourage, assist and advance teaching, education and research in accounting and related functions. Assistance is also provided to needy persons who are, or have been, members of the Institute and to their needy dependents or survivors. The Foundation is incorporated under *The Corporations Act* of Manitoba and is a registered charity under the *Income Tax Act*.

The Foundation has not been consolidated in the Institute's financial statements. Financial summaries as at March 31, 2007 and 2006 and for the years then ended are as follows:

Financial Position

	<u>2007</u>	<u>2006</u>
Total assets	\$1,049,700	\$927,700
Total liabilities	8,300	5,000
Net assets	<u>\$1,041,400</u>	<u>\$922,700</u>

Net assets are comprised of restricted funds of \$452,300 (2006 - \$394,100) and general funds of \$589,100 (2006 - \$528,600). The restricted funds are managed by the Foundation as directed by the donors in accordance with Board approved criteria to provide bursaries, student awards, benevolence and member education.

Results of Operations

	<u>2007</u>	<u>2006</u>
Total revenue	\$108,300	\$140,400
Total expense	70,000	62,300
Excess revenue	<u>\$ 38,300</u>	<u>\$ 78,100</u>

6. Related party information

CA School of Business

In June 2000, the Institute, along with the Institutes of Chartered Accountants of British Columbia, Alberta and Saskatchewan, entered into an agreement with the CA School of Business (CASB) to have CASB develop, deliver and administer pre-certification education for students in the four western provinces and the territories. CASB was incorporated under the *Canada Corporations Act* and is a registered charity under the *Income Tax Act*. CASB is governed by a nine member Board consisting of one member appointed by each participating Institute and the balance appointed by a nominating committee, comprised of the Presidents of the participating Institutes.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

CASB's assets are for the sole use of CASB and would become available to the Institutes only upon CASB's ceasing operations. The Agreement between CASB and the participating Institutes provides for CASB's net assets to be distributed to qualified donees, as defined in the *Income Tax Act*, chosen by the participating Institutes, proportionate to the number of CASB registrants resident in the province of that participating Institute at the date of the most recent CASB year end. However, if a participating Institute opts out of the Agreement before operations cease, that Institute would have no right to any of the net assets.

Western CA Services Association

Western CA Services Association (WCASA) is responsible for the operation of Chartered Accountants' benefit plans for the Institutes of Chartered Accountants of Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories and Yukon. WCASA is a not-for-profit organization under the *Income Tax Act*. The Manitoba Institute nominates two of the eight members of the Board of WCASA. During the year, the Institute purchased benefit plan services from WCASA for its employees at a cost of \$24,800 (2006-\$21,900).

7. Capital assets

	<u>2007</u>		<u>2006</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 47,600	\$ 40,500	\$ 47,600	\$ 30,900
Office furniture and equipment	142,500	111,500	148,600	103,100
Computer equipment	91,900	73,500	109,400	84,200
Leasehold improvements	193,700	123,500	145,300	109,000
Computer database system	41,000	41,000	41,000	41,000
Communication initiatives	<u>12,000</u>	<u>10,300</u>	<u>12,000</u>	<u>7,700</u>
	<u>\$528,700</u>	<u>\$400,300</u>	<u>\$503,900</u>	<u>\$375,900</u>
Net book value	<u>\$128,400</u>		<u>\$128,000</u>	

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

8. Commitments

Lease obligations

The Institute has leased office premises and certain equipment under capital lease. The following is a schedule of future minimum lease payments under capital and operating leases:

	Capital Lease	Operating Lease
Year ending March 31, 2008 -	\$8,500	\$ 54,300
2009 -	-	54,300
2010 -	-	54,300
2011 -	-	54,300
2012 -	-	54,300
2013 -	-	54,300
2014 -	-	<u>40,600</u>
Total minimum lease payments	8,500	<u>\$366,400</u>
Less: Amount representing interest	<u>300</u>	
Present value of minimum payments	<u>\$8,200</u>	

University support

The Institute made the fifth payment of its \$1,625,000 pledge to the I.H. Asper School of Business. This pledge is being paid over a ten year period and is being funded by an education assessment on members.

Database support

Annual costs for database support to December 2009 are currently under negotiation. The Institute will continue to make annual payments of \$30,000 until negotiations are finalized.

Office renovation

The Institute is currently undergoing renovations, which includes the construction of a new professional development classroom. Additional commitments for construction and furniture to complete this project are \$86,800.

Other

The Institute has contracted for advertising services totalling \$26,000 through to September 2009 and communication services totalling \$19,200 through to November 2011.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

9. Deferred lease inducements

During the year, the Institute entered into a revised lease agreement covering the period to the end of the original lease and an additional period of five years. Under this new lease agreement, the Institute received a lease inducement of \$10,700 in the form of free rent. The lease inducement on the original lease will continue to be amortized in accordance with the terms of the original lease contract until the original lease term expires in December 2008.

Both inducements are amortized to office occupancy costs.

10. Internally restricted net assets

In 2006, the Institute's Council restricted \$100,000 of unrestricted net assets to help fund implementation costs for Manitoba's portion of the strategic plan approved by the CICA and the provincial Institutes in 2004. These internally restricted amounts are not available for other purposes without approval of the Council of the Institute. No allocation from these funds was required during the year.

11. Administration expense

	<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 676,000	\$588,400
Office occupancy	112,700	110,300
General expenses	81,000	75,500
Communications	46,700	44,800
Business taxes and insurance	45,500	47,500
Database support	30,000	30,000
Professional fees	19,700	22,300
Stationery and supplies	<u>14,100</u>	<u>19,700</u>
	<u>\$1,025,700</u>	<u>\$938,500</u>