

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, 2008 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, 2008 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 18, 2008

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

STATEMENT OF FINANCIAL POSITION As At March 31

	2008	2007
Assets		
Current		
Cash	\$ 913,100	\$1,042,400
Accounts receivable	23,800	30,600
Prepays	50,900	54,000
	987,800	1,127,000
Long term investments (note 4)	982,000	966,200
Capital assets (note 7)	194,300	128,400
	\$2,164,100	\$2,221,600
Liabilities		
Current		
Accounts payable and accruals	\$ 518,400	\$ 580,200
Unearned fees	527,700	524,700
Obligation under capital lease (note 8)	4,300	8,200
	1,050,400	1,113,100
Non-current		
Obligation under capital lease (note 8)	20,100	-
Deferred lease inducements (note 9)	20,500	33,600
	40,600	33,600
Net Assets		
Invested in capital assets	169,900	120,200
Internally restricted (note 10)	100,000	100,000
Unrestricted	803,200	854,700
	1,073,100	1,074,900
	\$2,164,100	\$2,221,600

Commitments (note 8)

Approved by Council



R.D. Potter, FCA
President & Chair of Council



D.J. Tkach, CA
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

STATEMENT OF OPERATIONS For the Year Ended March 31

	2008	2007
		(note 11)
Revenue		
Member fees	\$2,085,300	\$2,024,200
Less CICA portion	838,000	797,200
	1,247,300	1,227,000
Member education	346,900	350,900
Practitioner assessments	182,800	184,600
Member events	73,100	68,500
Investment and other (note 4)	66,200	117,300
Practice review	57,600	30,500
	1,973,900	1,978,800
Expense		
Salaries and benefits	682,500	694,900
Member education	230,400	217,600
Pre-certification education support	206,300	195,400
External communications	166,800	148,400
Office operations	127,000	101,800
Member events	121,300	110,200
Office occupancy	114,600	105,900
Regulatory	94,500	56,700
Governance	89,200	100,200
Member communication and services	74,900	79,800
Amortization	68,200	56,100
	1,975,700	1,867,000
Excess revenue (expense)	\$ (1,800)	\$ 111,800

The Institute of Chartered Accountants of Manitoba

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

				2008	2007
Net Assets	Invested in Capital Assets	Internally Restricted (note 10)	Unrestricted		
Balance, beginning of year	\$120,200	\$100,000	\$854,700	\$1,074,900	\$ 886,100
Change in accounting policy (note 3)	-	-	-	-	77,000
Excess revenue (expense)	(68,200)	-	66,400	(1,800)	111,800
Investment in capital assets	117,900	-	(117,900)	-	-
Balance, end of year	\$169,900	\$100,000	\$803,200	\$1,073,100	\$1,074,900

STATEMENT OF CASH FLOWS For the Year Ended March 31

	2008	2007
Operating Activities		
Cash Receipts		
Member fees	\$1,510,100	\$1,551,900
Self funding activities	398,000	380,300
Investment and other	92,800	123,200
	2,000,900	2,055,400
Cash Disbursements	1,969,900	1,728,000
	31,000	327,400
Investing and Financing Activities		
Investments acquired	(243,700)	(247,600)
Investments sold	201,300	176,100
Capital assets acquired	(108,100)	(56,500)
Capital lease payments	(9,800)	(10,200)
	(160,300)	(138,200)
Change in cash	(129,300)	189,200
Cash, beginning of year	1,042,400	853,200
Cash, end of year	\$ 913,100	\$1,042,400

The Institute of Chartered Accountants of Manitoba

NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2008

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 fees and practitioner assessments 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 and unrealized gains and losses.

e) Self funding programs

The member education and practice review programs are intended to break-even after an allocation of all costs reasonably associated with the program, including staff salaries. No allocation of salaries and indirect costs has been included in these statements.

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 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 Accounting Standards Board has issued a number of new standards that may affect the Institute. Section 1535 - Capital Disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Section 3862 Financial Instruments - Disclosures, enhances the disclosure requirements of Section 3861 by placing an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Both qualitative and quantitative information about exposures to risks arising from financial instruments including credit, interest rate, liquidity, currency and other price risks are required to be disclosed. Section 3863 Financial Instruments - Presentation, carries forward, unchanged, the presentation requirements of Section 3861, which was implemented last year. These new standards, if applicable, would be implemented during the next fiscal year. Implementation of these standards would only affect the disclosures contained in the Notes to the Financial Statements.

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.

	<u>2008</u>		<u>2007</u>	
	Market	Cost	Market	Cost
Canadian fixed income funds	\$268,600	\$265,900	\$348,600	\$344,200
Equity funds	538,900	552,500	433,600	415,000
Canadian real estate funds	<u>174,500</u>	<u>119,100</u>	<u>184,000</u>	<u>135,900</u>
	<u>\$982,000</u>	<u>\$937,500</u>	<u>\$966,200</u>	<u>\$895,100</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 4.1% (2007 - 5.2%), with maturity dates ranging from 3 to 20 years.

As at March 31, approximately 63% (2007 - 72%) of the fixed income funds were comprised of mortgage investments. The mortgage portfolio is diversified across regional markets, with 46% (2007 - 46%) of

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 77% (2007 - 74%) being commercial mortgages, and the remainder being residential and other. These investments have an average effective interest rate of 4.7% (2007 - 5.9%) and an average term of 6.4 years (2007 - 6.7 years).

The equity funds invest predominantly in shares of publicly traded Canadian medium and large capitalized companies, 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, the Institute's equity funds include the following currencies:

	<u>2008</u>	<u>2007</u>
Canadian	\$302,200	\$211,600
US	118,400	110,800
European	80,400	77,900
Japanese	20,100	22,200
Other	17,800	11,100
Total	<u>\$538,900</u>	<u>\$433,600</u>

The real estate fund consists of income producing real estate properties diversified by both location and type. At March 31, 48% (2007 - 51%) of the portfolio was located in Ontario, with the remainder spread across Canada and 52% (2007 - 49%) was invested in office real estate.

Investment and other income is comprised of the following:

	<u>2008</u>	<u>2007</u>
Interest from cash	\$ 26,500	\$ 28,300
Interest and dividends from pooled funds	28,900	36,200
Realized gains on sale of investments	21,900	43,500
Unrealized loss on investments	(26,600)	(5,900)
Other non investment income	15,500	15,200
	<u>\$ 66,200</u>	<u>\$117,300</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 Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

The Foundation has not been consolidated in the Institute's financial statements. Financial summaries as at March 31, 2008 and 2007 and for the years then ended are as follows:

Financial Position

	2008	2007
Total assets	\$1,117,300	\$1,049,700
Total liabilities	<u>5,000</u>	<u>8,300</u>
Net assets	<u>\$1,112,300</u>	<u>\$1,041,400</u>

Net assets are comprised of restricted funds of \$522,300 (2007 - \$452,300) and general funds of \$590,000 (2007 - \$589,100). 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

	2008	2007
Total revenue	\$110,600	\$108,300
Total expense	<u>39,700</u>	<u>70,000</u>
Excess revenue	<u>\$ 70,900</u>	<u>\$ 38,300</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.

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 \$25,000 (2007 - \$24,800).

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

7. Capital assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 26,000	\$ 400	\$ 47,600	\$ 40,500
Office furniture and equipment	162,700	111,500	142,500	111,500
Computer equipment	95,400	85,300	91,900	73,500
Leasehold improvements	261,400	155,300	193,700	123,500
Computer database system	41,000	41,000	41,000	41,000
Communications initiatives	<u>11,400</u>	<u>10,100</u>	<u>12,000</u>	<u>10,300</u>
	<u>\$597,900</u>	<u>\$403,600</u>	<u>\$528,700</u>	<u>\$400,300</u>
Net book value	<u>\$194,300</u>		<u>\$128,400</u>	

8. Commitments

Lease obligations

The Institute has entered into capital leases for certain office equipment.

	2008	2007
Office equipment lease contract, payable in quarterly instalments of \$1,600 including interest calculated at 9.8%, maturing in February 2014.	\$24,400	\$ -
Office equipment lease contract, payable in quarterly instalments of \$2,800 including interest calculated at 7.5%, which matured in December 2007.	<u>-</u>	<u>8,200</u>
	24,400	8,200
Current portion	<u>4,300</u>	<u>8,200</u>
	<u>\$20,100</u>	<u>\$ -</u>

In addition, the Institute has leased office premises and other office equipment.

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Notes to Financial Statements continued

The following is a schedule of future lease payments under these leases:

	Capital Lease	Operating Leases
Year ending March 31, 2009 -	\$ 6,500	\$ 55,500
2010 -	6,500	54,300
2011 -	6,500	54,300
2012 -	6,500	54,300
2013 -	4,800	54,300
2014 -	<u>-</u>	<u>40,600</u>
Total minimum lease payments	30,800	<u>\$313,300</u>
Less: Amount representing interest	<u>6,400</u>	
Present value of minimum payments	<u>\$24,400</u>	

University support

The Institute made the sixth 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.

Other

The Institute has contracted for advertising services totalling \$15,000 through to September 2009 and communication services totalling \$22,300 through to November 2011.

9. Deferred lease inducements

In 2007, 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. Amortization of the new inducement will commence in January 2009.

Amortization of \$13,100 (2007 - \$13,100) is included in 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. Comparative figures

Certain amounts for 2007 have been reclassified to conform with the presentation adopted in the current year.