

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, 2009 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, 2009 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 17, 2009

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

STATEMENT OF FINANCIAL POSITION As At March 31

	2009	2008
Assets		
Current		
Cash	\$1,009,300	\$ 913,100
Accounts receivable	50,900	23,800
Prepays	59,700	50,900
	1,119,900	987,800
Long term investments (note 3)	794,800	982,000
Capital assets (note 6)	191,100	194,300
	\$2,105,800	\$2,164,100
Liabilities		
Current		
Accounts payable and accruals	\$ 610,600	\$ 518,400
Unearned fees	625,600	527,700
Obligation under capital lease (note 7)	4,700	4,300
	1,240,900	1,050,400
Non-current		
Obligation under capital lease (note 7)	15,400	20,100
Deferred lease inducements (note 8)	10,200	20,500
	25,600	40,600
Net Assets		
Invested in capital assets	171,000	169,900
Internally restricted (note 9)	41,100	100,000
Unrestricted	627,200	803,200
	839,300	1,073,100
	\$2,105,800	\$2,164,100

Commitments (note 7)

Approved by Council



H.L. Clarke, FCA
President & Chair of Council



J.D. Doer, CA
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

STATEMENT OF OPERATIONS For the Year Ended March 31

	2009	2008
Revenue		
Member fees	\$2,107,900	\$2,085,300
Less CICA portion	836,200	838,000
	1,271,700	1,247,300
Member education	358,500	346,900
Practitioner assessments	190,000	182,800
Member events	76,800	73,100
Practice review	68,900	57,600
Net investment and other (loss) (note 3)	(144,200)	66,200
	1,821,700	1,973,900
Expense		
Salaries and benefits	758,200	682,500
Member education	232,900	230,400
Pre-certification education support	210,600	206,300
External communications	184,500	166,800
Member events	124,200	121,300
Office occupancy	121,700	114,600
Office operations	118,400	127,000
Member communication and services	87,400	74,900
Governance	86,300	89,200
Regulatory (note 10)	77,400	94,500
Amortization	53,900	68,200
	2,055,500	1,975,700
Excess revenue (expense)	\$ (233,800)	\$ (1,800)

The Institute of Chartered Accountants of Manitoba

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

				2009	2008
Net Assets	Invested in Capital Assets	Internally Restricted (note 9)	Unrestricted		
Balance, beginning of year	\$169,900	\$100,000	\$803,200	\$1,073,100	\$1,074,900
Excess revenue (expense)	(53,900)	-	(179,900)	(233,800)	(1,800)
Investment in capital assets	55,000	-	(55,000)	-	-
Interfund transfer (note 9)	-	(58,900)	58,900	-	-
Balance, end of year	\$171,000	\$ 41,100	\$627,200	\$ 839,300	\$1,073,100

STATEMENT OF CASH FLOWS For the Year Ended March 31

	2009	2008
Operating Activities		
Cash Receipts		
Member fees	\$1,644,800	\$1,510,100
Self funding activities	424,800	398,000
Investment and other	17,100	92,800
	2,086,700	2,000,900
Cash Disbursements	1,961,400	1,969,900
	125,300	31,000
Investing and Financing Activities		
Investments acquired	(106,800)	(243,700)
Investments sold	132,700	201,300
Capital assets acquired	(50,700)	(108,100)
Capital lease payments	(4,300)	(9,800)
	(29,100)	(160,300)
Change in cash	96,200	(129,300)
Cash, beginning of year	913,100	1,042,400
Cash, end of year	\$1,009,300	\$ 913,100

The Institute of Chartered Accountants of Manitoba

NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2009

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 foster public confidence in the CA profession by acting in the public interest and helping our members excel.

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. 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.

The financial statements include the following significant accounting policies:

a) New accounting standards

The Accounting Standards Board (AcSB) issued new accounting standard, Handbook Section 1535 Capital Disclosures, which establishes standards for an entity's objectives, policies and processes for managing capital, quantitative data about what is considered capital and whether an entity has complied with any capital requirements and consequences of non-compliance with such capital requirements. The standard is effective for reporting periods beginning on or after October 1, 2007. The Institute applied the new accounting standard at the beginning of its current fiscal year and its implementation did not have an impact on the results of operations or financial position (note 11).

The AcSB issued two new standards relating to financial instruments. 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 risk 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 the Institute implemented for the fiscal year ended March 31, 2007.

The AcSB has agreed to allow not-for-profit organizations to apply Section 3861, Financial Instruments - Disclosure and Presentation, in place of Sections 3862 and 3863. As such, the Institute has decided to not implement Sections 3862 and 3863.

b) 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.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

c) 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	Over the life of the lease
▪ Computer database system	3 years
▪ Communications initiatives	3 years

d) Deferred lease inducements

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

e) Revenue recognition

Member fees, practitioner assessments, and practice review revenue 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.

f) 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.

g) 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.

3. Financial instruments

In accordance with Section 3855, Financial Instruments – Recognition and Measurement, financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale, or other financial liabilities. The classification determines the accounting treatment of the instrument. The classification is determined by the Institute when the financial instrument is initially recorded, based on the underlying purpose of the instrument.

Financial Asset/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investments	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Obligation under capital lease	Other financial liabilities	Amortized cost

Financial instruments measured at amortized cost are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs. Changes in fair value of financial instruments classified as held for trading are recorded in the statement of operations.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

The fair values of cash, accounts receivable, accounts payable and obligation under capital lease approximate their carrying values. The fair value of long term investments is disclosed below.

	2009		2008	
	Market	Cost	Market	Cost
Canadian fixed income funds	\$236,800	\$243,900	\$268,600	\$265,900
Equity funds	432,400	570,500	538,900	552,500
Canadian real estate funds	125,600	97,200	174,500	119,100
	<u>\$794,800</u>	<u>\$911,600</u>	<u>\$982,000</u>	<u>\$937,500</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 corporate debt securities have a credit rating of AAA, AA, or A, with at least 50% having a credit rating of AA or higher. The government debt obligations and corporate debt securities within the fixed income funds have an average effective interest rate of 4.1% (2008 - 4.1%), with maturity dates ranging from 3 to 20 years.

As at March 31, approximately 65% (2008 - 63%) of the fixed income funds were comprised of mortgage investments. The mortgage portfolio is diversified across regional markets, with 47% (2008 - 46%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 84% (2008 - 77%) being commercial mortgages, and the remainder being residential and other. These investments have an average effective interest rate of 5.1% (2008 - 4.7%) and an average term of 6.1 years (2008 - 6.4 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:

	2009	2008
Canadian	\$247,500	\$302,200
US	91,100	118,400
Various European	62,800	80,400
Japanese	16,900	20,100
Other	14,100	17,800
Total	<u>\$432,400</u>	<u>\$538,900</u>

The real estate fund consists of income producing real estate properties diversified by both location and type. At March 31, 48% (2008 - 48%) of the portfolio was located in Ontario, with the remainder spread across Canada and 53% (2008 - 52%) was invested in office real estate.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

Investment and other income (loss) is comprised of the following:

	<u>2009</u>	<u>2008</u>
Interest from cash	\$ 16,600	\$ 26,500
Interest and dividends from pooled funds	29,500	28,900
Realized gains (losses) on sale of investments	(47,600)	21,900
Unrealized loss on investments	(161,300)	(26,600)
Other non investment income	18,600	15,500
	<u>\$ (144,200)</u>	<u>\$ 66,200</u>

The Institute manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Governance Policies. The objective of this policy is to reduce volatility in cash flow and earnings. The Council monitors compliance with risk management policies and reviews risk management policies on an annual basis. The Institute does not use derivative financial instruments to manage its risks.

4. 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, 2009 and 2008 and for the years then ended are as follows:

Financial Position

	<u>2009</u>	<u>2008</u>
Total assets	\$1,020,300	\$1,117,300
Total liabilities	<u>1,100</u>	<u>5,000</u>
Net assets	<u>\$1,019,200</u>	<u>\$1,112,300</u>

Net assets are comprised of restricted funds of \$564,300 (2008 - \$522,300) and general funds of \$454,900 (2008 - \$590,000). 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>2009</u>	<u>2008</u>
Total revenue (net of investment losses)	\$(36,000)	\$110,600
Total expense	<u>57,100</u>	<u>39,700</u>
Excess revenue (expense)	<u>\$(93,100)</u>	<u>\$ 70,900</u>

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

5. 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 \$30,800 (2008 - \$25,000).

6. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 26,000	\$ 5,600	\$ 26,000	\$ 400
Office furniture and equipment	163,200	121,500	162,700	111,500
Computer equipment	102,600	89,100	95,400	85,300
Leasehold improvements	292,500	179,700	261,400	155,300
Computer database system	41,000	41,000	41,000	41,000
Communications initiatives	13,900	11,200	11,400	10,100
	<u>\$639,200</u>	<u>\$448,100</u>	<u>\$597,900</u>	<u>\$403,600</u>
Net book value		<u>\$191,100</u>		<u>\$194,300</u>

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

7. Commitments

Lease obligations

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

	<u>2009</u>	<u>2008</u>
Office equipment lease contract, payable in quarterly instalments of \$1,600 including interest calculated at 9.8%, maturing in February 2013.	\$20,100	\$24,400
Current portion	<u>4,700</u>	<u>4,300</u>
	<u>\$15,400</u>	<u>\$20,100</u>

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

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

	Capital Lease	Operating Leases
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	24,300	<u>\$257,800</u>
Less: Amount representing interest	<u>4,200</u>	
Present value of minimum payments	<u>\$20,100</u>	

University support

The Institute made the seventh 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.

The Institute entered into a new agreement to help fund the Asper School Downtown Campus and Executive Development Program. The pledge of \$500,000 will commence after the original pledge is completed and will be fully satisfied in 2014.

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 \$3,600 through to September 2009 and communication services totalling \$15,700 through to November 2011.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

8. 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. Amortization of the new inducement commenced in January 2009. The remaining portion of the original lease inducement lease became fully amortized during the past year.

Amortization of \$10,300 (2008 - \$13,100) is included in office occupancy costs.

9. 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. During the year, \$58,900 (2008-\$0) of the internally restricted net assets was used for strategic initiatives.

10. Regulatory

Costs for professional conduct, which are included in this category, are shown net of recoveries of \$28,000 (2008-\$0).

11. Capital Disclosures

The Institute's net assets are comprised of capital assets net of the obligation under capital lease, internally restricted net assets, and unrestricted net assets. These amounts are disclosed in the Statement of Changes in Net Assets. The Institute is not subject to externally imposed requirements on capital.

The Institute's objective when managing its assets is to provide for fiscal stability in its implementation of multi-year strategic plans that are consistent with the policies developed by the Institute's governing Council.

The Institute relies on member fees for over 70% of its funding. To assist with managing fee increases during implementation of strategic plans, net assets were internally restricted (note 9).

The Institute's net asset policy requires that unrestricted net assets be maintained within a range that is tied to members' annual fees and allows for corrective action, in the event unrestricted net assets fall outside of the range. This level is set in proportion to risk and the ability to generate funding. The policy also takes into consideration extraordinary events that may arise.

12. Future Accounting Changes

The AcSB will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRSs) for publicly accountable profit-oriented enterprises with January 1, 2011 as the changeover date. While these standards are not developed with reference to not-for-profit organizations, the AcSB has agreed that a not-for-profit organization can apply IFRSs if that approach meets the needs of the users of its financial statements.

The AcSB is also developing a made in Canada alternative set of financial reporting standards for private profit-oriented enterprises. The AcSB has agreed to consider permitting not-for-profit organizations to apply the standards for private enterprises, together with additional standards addressing their unique transactions and circumstances. Accordingly, the needs of not-for-profit organizations will be considered in the development of the private enterprise standards.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include: IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Institute continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.