

## **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, 2010 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, 2010 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 19, 2010

BOOKE & PARTNERS  
CHARTERED ACCOUNTANTS

# The Institute of Chartered Accountants of Manitoba

## STATEMENT OF FINANCIAL POSITION As At March 31

	2010	2009 (note 13)
<b>Assets</b>		
Current		
Cash	\$ 786,500	\$1,009,300
Accounts receivable	27,300	50,900
Prepays	50,700	59,700
	864,500	1,119,900
Long term investments (note 3)	948,400	794,800
Capital assets (note 6)	107,600	191,100
	\$1,920,500	\$2,105,800
<b>Liabilities</b>		
Current		
Accounts payable and accruals	\$ 355,400	\$ 610,600
Unearned fees	610,500	625,600
Obligation under capital lease (note 7)	5,100	4,700
	971,000	1,240,900
Non-current		
Obligation under capital lease (note 7)	10,300	15,400
Deferred lease inducements (note 8)	1,400	10,200
	11,700	25,600
<b>Net Assets</b>		
Internally restricted (note 9)	133,300	212,100
Unrestricted	804,500	627,200
	937,800	839,300
	\$1,920,500	\$2,105,800

Commitments (note 7)

Approved by Council



I.R. Seymour, CA  
President & Chair of Council



R.M. MacKay, FCA  
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

**STATEMENT OF OPERATIONS**  
For the Year Ended March 31

	2010	2009
<b>Revenue</b>		
Member fees	<b>\$2,209,700</b>	\$2,107,900
Less CICA portion	<b>877,300</b>	836,200
	<b>1,332,400</b>	1,271,700
Member education	<b>424,500</b>	358,500
Practitioner assessments	<b>204,800</b>	190,000
Member events	<b>75,400</b>	76,800
Practice review	<b>58,800</b>	68,900
Net investment and other (loss) (note 3)	<b>177,100</b>	(144,200)
	<b>2,273,000</b>	1,821,700
<b>Expense</b>		
Salaries and benefits	<b>799,700</b>	758,200
Member education	<b>290,800</b>	232,900
Pre-certification education support	<b>200,300</b>	210,600
External communications	<b>169,600</b>	184,500
Office occupancy	<b>120,100</b>	121,700
Office operations	<b>117,900</b>	118,400
Member events	<b>117,700</b>	124,200
Amortization	<b>110,600</b>	53,900
Member communication and services	<b>88,300</b>	87,400
Governance	<b>83,600</b>	86,300
Regulatory (note 10)	<b>75,900</b>	77,400
	<b>2,174,500</b>	2,055,500
<b>Excess revenue (expense)</b>	<b>\$ 98,500</b>	\$ (233,800)

# The Institute of Chartered Accountants of Manitoba

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

			2010	2009
<b>Net Assets</b>	<b>Internally Restricted (notes 9 and 13)</b>	<b>Unrestricted</b>		
Balance, beginning of year	\$212,100	\$627,200	<b>\$839,300</b>	\$1,073,100
Excess revenue (expense)	(110,600)	209,100	<b>98,500</b>	(233,800)
Investment in capital assets	31,800	(31,800)	-	-
<b>Balance, end of year</b>	<b>\$133,300</b>	<b>\$804,500</b>	<b>\$937,800</b>	<b>\$ 839,300</b>

## STATEMENT OF CASH FLOWS For the Year Ended March 31

		2010	2009
			(note 13)
<b>Operating Activities</b>			
<b>Cash Receipts</b>			
Member fees		<b>\$1,597,200</b>	\$1,644,800
Self funding activities		<b>482,500</b>	424,800
Investment and other		<b>44,700</b>	64,700
		<b>2,124,400</b>	2,134,300
<b>Cash Disbursements</b>		<b>2,294,200</b>	1,961,400
		<b>(169,800)</b>	172,900
<b>Investing Activities</b>			
Investments acquired		<b>(31,600)</b>	(106,800)
Investments sold		<b>10,400</b>	85,100
Capital assets acquired		<b>(27,100)</b>	(50,700)
		<b>(48,300)</b>	(72,400)
<b>Financing Activities</b>			
Capital lease payments		<b>(4,700)</b>	(4,300)
		<b>(4,700)</b>	(4,300)
<b>Change in cash</b>		<b>(222,800)</b>	96,200
<b>Cash, beginning of year</b>		<b>1,009,300</b>	913,100
<b>Cash, end of year</b>		<b>\$ 786,500</b>	<b>\$1,009,300</b>

# The Institute of Chartered Accountants of Manitoba

---

## NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2010

### 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

A number of standards applicable to not-for-profit organizations were amended and Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued effective for fiscal years beginning on or after January 1, 2009. 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. As the Institute does not allocate general support costs to other functions, Section 4470 does not have an impact on the Institute. Implementation of the amended standards at the beginning of the current fiscal year affected only presentation and disclosures contained in the notes to the financial statements.

b) Financial instrument disclosure and presentation

The Institute has applied Section 3861, Financial Instruments - Disclosure and Presentation, in place of Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation.

c) 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.

d) 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

e) Deferred lease inducements

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

# The Institute of Chartered Accountants of Manitoba

---

## Notes to Financial Statements continued

- f) 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.

- g) Self funding programs  
The member education and practice review programs are intended to break-even after an allocation of all costs directly attributable to the program, including staff salaries. No allocation of costs has been included in these statements.

- h) 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.

<b>Financial Asset/Liability</b>	<b>Category</b>	<b>Measurement</b>
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 accruals and obligation under capital lease approximate their carrying values. The fair value of long term investments is disclosed below.

	<b>2010</b>		<b>2009</b>	
	<b>Market</b>	<b>Cost</b>	<b>Market</b>	<b>Cost</b>
Canadian fixed income funds	<b>\$272,800</b>	<b>\$272,200</b>	\$236,800	\$243,900
Equity funds	<b>555,000</b>	<b>534,600</b>	432,400	570,500
Canadian real estate funds	<b>120,600</b>	<b>97,300</b>	125,600	97,200
	<b><u>\$948,400</u></b>	<b><u>\$904,100</u></b>	<b><u>\$794,800</u></b>	<b><u>\$911,600</u></b>

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 3.6% (2009-4.1%), with maturity dates ranging from 3 to 20 years.

As at March 31, approximately 63% (2009-65%) of the fixed income funds were comprised of mortgage investments. The mortgage portfolio is diversified across regional markets, with 48% (2009-47%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 86% (2009-84%) being commercial mortgages, and the remainder being residential and other. These investments have an average effective interest rate of 5.6% (2009-5.1%) and an average term of 5.6 years (2009-6.1 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:

	<b>2010</b>	<b>2009</b>
Canadian	<b>\$270,200</b>	\$247,500
US	<b>170,500</b>	91,100
Various European	<b>74,300</b>	62,800
Japanese	<b>18,300</b>	16,900
Other	<b>21,700</b>	14,100
Total	<b><u>\$555,000</u></b>	<b><u>\$432,400</u></b>

The real estate fund consists of income producing real estate properties diversified by both location and type. As at March 31, 48% (2009-48%) of the portfolio was located in Ontario, with the remainder spread across Canada and 54% (2009-53%) 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>2010</u>	<u>2009</u>
Interest from cash	\$ 2,900	\$ 16,600
Interest and dividends from pooled funds	28,500	29,500
Realized losses on sale of investments	(28,700)	(47,600)
Unrealized gain (loss) on investments	161,100	(161,300)
Other non investment income	<u>13,300</u>	<u>18,600</u>
	<u>\$177,100</u>	<u>\$(144,200)</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 enhance the quality of accounting education in Manitoba. 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, 2010 and 2009 and for the years then ended are as follows:

##### Financial Position

	<u>2010</u>	<u>2009</u>
Total assets	\$1,164,200	\$1,020,300
Total liabilities	<u>1,500</u>	<u>1,100</u>
Net assets	<u>\$1,162,700</u>	<u>\$1,019,200</u>

Net assets are comprised of restricted funds of \$665,900 (2009-\$564,300) and general funds of \$496,800 (2009-\$454,900). 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>2010</u>	<u>2009</u>
Total revenue (net of investment losses)	\$220,700	\$(36,000)
Total expense	<u>77,200</u>	<u>57,100</u>
Excess revenue (expense)	<u>\$143,500</u>	<u>\$(93,100)</u>

##### Cash Flows

	<u>2010</u>	<u>2009</u>
Cash from operations	\$ (1,800)	\$121,400
Cash used in investing activities	<u>(123,300)</u>	<u>(22,700)</u>
(Decrease) increase in cash	<u>\$(125,100)</u>	<u>\$ 98,700</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.

### CA Insurance Plans West

CA Insurance Plans West (CAIPW), formerly Western CA Services Association, 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. CAIPW is a not-for-profit organization under the *Income Tax Act*. The Manitoba Institute nominates two of the eight members of the Board of CAIPW. During the year, the Institute purchased benefit plan services from CAIPW for its employees at a cost of \$35,400 (2009-\$30,800). These costs are included in salaries and benefit expenses in the statement of operations. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 6. Capital assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 26,000	\$ 10,800	\$ 26,000	\$ 5,600
Office furniture and equipment	167,000	132,800	163,200	121,500
Computer equipment	109,100	82,900	102,600	89,100
Leasehold improvements	292,500	261,900	292,500	179,700
Computer database system	41,000	41,000	41,000	41,000
Communications initiatives	<u>13,900</u>	<u>12,500</u>	<u>13,900</u>	<u>11,200</u>
	<b><u>\$649,500</u></b>	<b><u>\$541,900</u></b>	<b><u>\$639,200</u></b>	<b><u>\$448,100</u></b>
Net book value	<b><u>\$107,600</u></b>		<b><u>\$191,100</u></b>	

# 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>2010</u>	<u>2009</u>
Office equipment lease contract, payable in quarterly instalments of \$1,600 including interest calculated at 9.8%, maturing in February 2013.	<b>\$15,400</b>	\$20,100
Current portion	<u>5,100</u>	<u>4,700</u>
	<b><u>\$10,300</u></b>	<b><u>\$15,400</u></b>

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
2011 -	\$ 6,500	\$ 54,300
2012 -	6,500	54,300
2013 -	4,800	54,300
2014 -	-	54,300
2015-2019 -	<u>-</u>	<u>257,800</u>
Total minimum lease payments	17,800	<u>\$475,000</u>
Less: Amount representing interest	<u>2,400</u>	
Present value of minimum payments	<b><u>\$15,400</u></b>	

Interest paid during the year was \$1,800 (2009-\$2,200).

### University support

The Institute made the eighth 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.

In 2009, 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 2010 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 communication services totalling \$22,700 through to March 2013.

# 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 ending December 2013. 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 and the remaining portion of the original lease inducement was fully amortized in 2009, resulting in amortization of \$10,300 in 2009.

During the year the expiration date of the lease term was revised to May 2010 resulting in amortization of \$8,800 for the current year.

Amortization of lease inducements is included in office occupancy costs.

## 9. Internally restricted net assets

Internally restricted net assets is comprised of two components - investment in capital assets and restricted for implementation of strategic plans.

	Invested in Capital Assets	Strategic Initiatives	
Balance, beginning of year	\$171,000	\$41,100	\$212,100
Excess revenue (expense)	(110,600)	-	(110,600)
Investment in capital assets	<u>31,800</u>	<u>-</u>	<u>31,800</u>
Balance, end of year	<u>\$ 92,200</u>	<u>\$41,100</u>	<u>\$133,300</u>

During the year, additions to capital assets were \$31,800 (2009-\$55,000) less amortization expense of \$110,600 (2009-\$53,900).

In 2006 Council restricted 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, no funds were required for this purpose (2009-\$58,900).

## 10. Regulatory

Costs for professional conduct, which are included in this category, are shown net of recoveries. There were no recoveries during the current year (2009-\$28,000).

## 11. Capital Disclosures

The Institute's net assets are comprised of internally restricted net assets consisting of capital assets net of the obligation under capital lease and other 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 approximately 70% of its funding. To assist with managing fee increases during implementation of strategic plans, net assets were internally restricted (note 9).

# The Institute of Chartered Accountants of Manitoba

---

## Notes to Financial Statements continued

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 Accounting Standards Board (AcSB) will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRSs), now included as Part I of the CICA Handbook – Accounting 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.

Accounting standards for private enterprises were issued in December 2009 and are contained in Part II of the CICA Handbook - Accounting. These standards are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early application permitted.

The AcSB continues to deliberate the appropriate standards for not-for-profit organizations. In March 2010, the AcSB issued an Exposure Draft, "Accounting Standards for Not-for-Profit Organizations," proposing to give not-for-profit organizations in the private sector a choice to follow either new accounting standards which would be included as Part III of the CICA Handbook - Accounting or IFRSs. Initially Part III would:

- carry forward the existing standards dealing with the unique circumstances of not-for-profit organizations currently in the "4400 series" of standards in Part V of the CICA Handbook - Accounting;
- provide additional standards that carry forward material included in the existing standards that was eliminated in developing the standards for private enterprises in Part II because it was not relevant to those entities; and
- direct not-for-profit organizations to the new standards for private enterprises in Part II of the CICA Handbook – Accounting to the extent that they would apply.

Until the new direction for setting standards for this sector has been approved, 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.

### 13. Comparative Figures

Certain amounts for 2009 have been reclassified to conform with the presentation adopted in the current year.