

Independent Auditors' Report

TO THE MEMBERS,
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF MANITOBA

We have audited the accompanying financial statements of the Institute of Chartered Accountants of Manitoba, which comprise the statement of financial position as at March 31, 2011 and the statement of operations, statement of changes in net assets and statement of 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 generally accepted accounting principles, 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.

Auditors' 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 that 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 Institute as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 10, 2011

Booke + Partners

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

STATEMENT OF FINANCIAL POSITION As At March 31

	2011	2010
Assets		
Current		
Cash	\$ 814,200	\$ 786,500
Accounts receivable	33,000	27,300
Prepays	72,000	50,700
	919,200	864,500
Long term investments (note 3)	1,072,000	948,400
Capital assets (note 6)	448,300	107,600
	\$2,439,500	\$1,920,500
Liabilities		
Current		
Accounts payable and accruals	\$ 393,300	\$ 355,400
Unearned fees	602,100	610,500
Obligation under capital lease (note 7)	5,700	5,100
	1,001,100	971,000
Non-current		
Obligation under capital lease (note 7)	4,600	10,300
Deferred lease inducements (note 8)	408,500	1,400
	413,100	11,700
Net Assets		
Internally restricted (note 9)	122,000	133,300
Unrestricted	903,300	804,500
	1,025,300	937,800
	\$2,439,500	\$1,920,500

Commitments (note 7)

Approved by Council



D.J. Tkach, CA
President & Chair



T.L. Okerlund, CA
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

STATEMENT OF OPERATIONS For the Year Ended March 31

	2011	2010
Revenue		
Member fees	\$2,285,700	\$2,209,700
Less CICA portion	893,600	877,300
	1,392,100	1,332,400
Member education	410,900	424,500
Practitioner assessments	216,900	204,800
Practice review	80,300	58,800
Member events	78,600	75,400
Net investment and other (note 3)	152,800	177,100
	2,331,600	2,273,000
Expense		
Salaries and benefits	847,900	799,700
Member education	270,600	290,800
Pre-certification education support	210,800	200,300
External communications	178,300	169,600
Office operations	154,000	117,900
Member events	125,900	117,700
Governance	106,000	83,600
Office occupancy	91,700	120,100
Member communication and services	90,800	88,300
Regulatory	84,300	75,900
Amortization	83,800	110,600
	2,244,100	2,174,500
Excess revenue	\$ 87,500	\$ 98,500

The Institute of Chartered Accountants of Manitoba

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

			2011	2010
Net Assets	Internally Restricted (note 9)	Unrestricted		
Balance, beginning of year	\$133,300	\$804,500	\$ 937,800	\$839,300
Excess revenue (expense)	(45,400)	132,900	87,500	98,500
Investment in capital assets	34,100	(34,100)	-	-
Balance, end of year	\$122,000	\$903,300	\$1,025,300	\$937,800

STATEMENT OF CASH FLOWS For the Year Ended March 31

		2011		2010
Operating Activities				
Cash Receipts				
Member fees		\$1,680,600		\$1,597,200
Self funding activities		488,700		482,500
Investment and other		45,400		44,700
		2,214,700		2,124,400
Cash Disbursements		2,134,300		2,294,200
		80,400		(169,800)
Investing Activities				
Investments acquired		(97,800)		(31,600)
Investments sold		79,200		10,400
Capital assets acquired		(29,000)		(27,100)
		(47,600)		(48,300)
Financing Activities				
Capital lease payments		(5,100)		(4,700)
		(5,100)		(4,700)
Change in cash		27,700		(222,800)
Cash, beginning of year		786,500		1,009,300
Cash, end of year		\$ 814,200		\$ 786,500

The Institute of Chartered Accountants of Manitoba

NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2011

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 its 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) 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.
- 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.
- 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 directly attributable to the program, including staff salaries. No allocation of costs has been included in these statements.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

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 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.

	<u>2011</u>		<u>2010</u>	
	Market	Cost	Market	Cost
Canadian fixed income funds	\$ 340,000	\$333,900	\$272,800	\$272,200
Equity funds	602,100	515,300	555,000	534,600
Canadian real estate funds	<u>129,900</u>	<u>101,800</u>	<u>120,600</u>	<u>97,300</u>
	<u>\$1,072,000</u>	<u>\$951,000</u>	<u>\$948,400</u>	<u>\$904,100</u>

Investments are in pooled funds, which are managed by GLC Asset Management Group.

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% (2010-3.6%), with maturity dates ranging from 3 to 20 years.

As at March 31, approximately 64% (2010-63%) of the fixed income funds were comprised of mortgage investments. The mortgage portfolio is diversified across regional markets, with 47% (2010-48%) of mortgages located in Ontario and the remainder spread across Canada. The portfolio is also diversified by type of mortgage, with 87% (2010-86%) being commercial mortgages, and the remainder being residential and other. These investments have an average effective interest rate of 5.6% (2010-5.6%) and an average term of 4.7 years (2010-5.6 years).

The equity funds invest predominantly in shares of publicly traded Canadian medium and large capitalized companies, publicly traded shares in the United States 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 U.S.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

As at March 31, the Institute's equity funds include the following currencies:

	<u>2011</u>	<u>2010</u>
Canadian	\$290,400	\$270,200
US	190,100	170,500
Various European	81,500	74,300
Japanese	21,900	18,300
Other	<u>18,200</u>	<u>21,700</u>
Total	<u>\$602,100</u>	<u>\$555,000</u>

The real estate funds consist of income producing real estate properties diversified by both location and type. As at March 31, 51% (2010-48%) of the portfolio was located in Ontario, with the remainder spread across Canada and 55% (2010-54%) was invested in office real estate.

Investment and other income is comprised of the following:

	<u>2011</u>	<u>2010</u>
Interest from cash	\$ 5,000	\$ 2,900
Interest and dividends from pooled funds	26,000	28,500
Realized gains (losses) on sales of investments	28,300	(28,700)
Unrealized gains on investments	76,700	161,100
Other non investment income	<u>16,800</u>	<u>13,300</u>
	<u>\$152,800</u>	<u>\$177,100</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, 2011 and 2010 and for the years then ended are as follows:

Financial Position

	<u>2011</u>	<u>2010</u>
Total assets	\$2,038,900	\$1,164,200
Total liabilities	<u>-</u>	<u>1,500</u>
Net assets	<u>\$2,038,900</u>	<u>\$1,162,700</u>

Net assets are comprised of restricted funds of \$1,543,900 (2010-\$665,900) and general funds of \$495,000 (2010-\$496,800). 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.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

Results of Operations

	<u>2011</u>	<u>2010</u>
Total revenue	\$972,200	\$220,700
Total expense	<u>96,000</u>	<u>77,200</u>
Excess revenue	<u>\$876,200</u>	<u>\$143,500</u>

Cash Flows

	<u>2011</u>	<u>2010</u>
Cash from operations	\$709,800	\$ (1,800)
Cash used in investing activities	<u>(701,900)</u>	<u>(123,300)</u>
Increase (decrease) in cash	<u>\$ 7,900</u>	<u>\$(125,100)</u>

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) 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 \$41,700 (2010-\$35,400). 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.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

6. Capital assets

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 26,000	\$ 16,000	\$ 26,000	\$ 10,800
Office furniture and equipment	183,900	136,100	167,000	132,800
Computer equipment	83,800	65,100	109,100	82,900
Leasehold improvements	447,000	75,600	292,500	261,900
Computer database system	41,000	41,000	41,000	41,000
Communications initiatives	<u>13,900</u>	<u>13,500</u>	<u>13,900</u>	<u>12,500</u>
	<u>\$795,600</u>	<u>\$347,300</u>	<u>\$649,500</u>	<u>\$541,900</u>
Net book value	<u>\$448,300</u>		<u>\$107,600</u>	

7. Commitments

Lease obligations

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

	2011	2010
Office equipment lease contract, payable in quarterly instalments of \$1,600 including interest calculated at 9.8%, maturing in February 2013.	\$10,300	\$15,400
Current portion	<u>5,700</u>	<u>5,100</u>
	<u>\$ 4,600</u>	<u>\$10,300</u>

In addition, the Institute has leased office premises and other office equipment. The term of the leased office premises extends to December 2018.

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

	Capital Lease	Operating Leases
2012 -	\$ 6,500	\$ 54,300
2013 -	4,800	54,300
2014 -	-	54,300
2015 -	-	54,300
2016 -	-	54,300
2017-2019 -	<u>-</u>	<u>149,200</u>
Total minimum lease payments	11,300	<u>\$420,700</u>
Less: Amount representing interest	<u>1,000</u>	
Present value of minimum payments	<u>\$10,300</u>	

Interest paid during the year was \$1,300 (2010-\$1,800).

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

University support

The Institute made the ninth 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 September 2014.

Database support

Annual costs for database support are \$30,000. The Institute's commitment extends through to December 2011 and is renewable annually thereafter.

Other

The Institute has contracted for communication services totalling \$20,100 through to June 2015.

8. Deferred lease inducements

During the year, the Institute negotiated a revised lease and received lease inducements totalling \$452,400. These were comprised of leasehold improvements - \$395,500 and free rent and reimbursement of certain costs - \$56,900.

	2011			2010		
	Tenant Inducements	Reduced Rent and Cost Recoveries	Total	Tenant Inducements	Reduced Rent and Cost Recoveries	Total
Balance, beginning of year	\$ -	\$ 1,400	\$ 1,400	\$ -	\$10,200	\$10,200
Additions during the year	395,500	56,900	452,400	-	-	-
Amortization	<u>(38,400)</u>	<u>(6,900)</u>	<u>(45,300)</u>	-	<u>(8,800)</u>	<u>(8,800)</u>
Balance, end of year	<u>\$357,100</u>	<u>\$51,400</u>	<u>\$408,500</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 1,400</u>

Amortization of these new inducements totalling \$43,900 is included in office occupancy along with amortization of the remaining portion of the old lease inducement of \$1,400 (2010 - \$8,800).

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

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.

	2011			2010		
	Invested in Capital Assets	Strategic Initiatives	Total	Invested in Capital Assets	Strategic Initiatives	Total
Balance, beginning of year	\$ 92,200	\$41,100	\$133,300	\$171,000	\$41,100	\$212,100
Excess revenue (expense)	(45,400)	-	(45,400)	(110,600)	-	(110,600)
Investment in capital assets	<u>34,100</u>	<u>-</u>	<u>34,100</u>	<u>31,800</u>	<u>-</u>	<u>31,800</u>
Balance, end of year	<u>\$ 80,900</u>	<u>\$41,100</u>	<u>\$122,000</u>	<u>\$ 92,200</u>	<u>\$41,100</u>	<u>\$133,300</u>

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. No funds were required for this purpose in 2011 and 2010.

10. 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 deferred lease inducements 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 and assessments for approximately 70% of its funding. To assist with managing fee increases during implementation of strategic plans, net assets were internally restricted (note 9).

11. Future Accounting Changes

In December 2010, the Accounting Standards Board issued Part III of the *CICA Handbook – Accounting* to provide Canadian private sector not-for-profit organizations with a new financial reporting framework. The standards are effective for fiscal years beginning on or after January 1, 2012 with earlier application permitted. Management is currently assessing the implications of adopting these new standards.

Until transitioning to the new financial reporting framework, not-for-profit organizations continue to follow the pre-changeover accounting standards in Part V of the *CICA Handbook – Accounting*.