

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, 2006 and the statements of operations and changes in net assets 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, 2006 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 21, 2006

BOOKE & PARTNERS
CHARTERED ACCOUNTANTS

The Institute of Chartered Accountants of Manitoba

STATEMENT OF FINANCIAL POSITION As At March 31

	2006	2005
Assets		
Current		
Cash and short term investments	\$853,200	\$923,700
Accounts receivable	20,700	19,100
Prepays	37,900	44,100
	911,800	986,900
Long term investments (note 5)	823,600	764,600
Capital assets (note 6)	128,000	145,800
	\$1,863,400	\$1,897,300
Liabilities		
Current		
Accounts payable	\$461,800	\$513,100
Unearned fees	461,200	470,300
Obligation under capital lease (note 7)	10,200	9,400
	933,200	992,800
Non-current		
Obligation under capital lease (note 7)	8,200	18,400
Deferred lease inducement (note 8)	35,900	49,000
	44,100	67,400
Net Assets		
Invested in capital assets	109,600	118,000
Internally restricted (note 9)	100,000	-
Unrestricted	676,500	719,100
	886,100	837,100
	\$1,863,400	\$1,897,300

Commitments (note 7)

Approved by Council



J.K.A. Campbell, FCA
President & Chair of Council



I.R. Seymour, CA
Secretary-Treasurer

The Institute of Chartered Accountants of Manitoba

STATEMENT OF OPERATIONS For the Year Ended March 31

	2006	2005
Revenue		
Members annual fees	\$1,906,800	\$1,878,200
Less CICA portion	790,300	792,900
	1,116,500	1,085,300
Professional development	251,700	238,400
Practitioners assessments and practice review	187,300	181,800
Investment and other	94,500	76,000
Members activities	58,200	57,100
Entrance fees	40,300	45,500
Students annual fees	-	300
	1,748,500	1,684,400
Expense		
Administration (note 10)	938,500	891,600
University support	162,500	162,500
Professional development	161,700	130,100
Public relations	121,300	103,300
Members activities	98,100	92,500
Professional conduct and membership (note 11)	87,900	77,300
Amortization	55,100	52,400
Strategic initiatives	19,700	32,900
CICA and interprovincial meetings	16,800	10,400
Presidential honorarium	15,000	15,000
General and library	11,400	10,800
Annual meetings and bylaws	9,800	3,600
Interest on capital lease	1,700	2,400
	1,699,500	1,584,800
Excess revenue	\$49,000	\$99,600

The Institute of Chartered Accountants of Manitoba

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

				2006	2005
NET ASSETS	Invested in Capital Assets	Internally Restricted	Unrestricted		
Balance, beginning of year	\$118,000	-	\$719,100	\$837,100	\$737,500
Excess revenue	(55,100)	-	104,100	49,000	99,600
Investment in capital assets	46,700	-	(46,700)	-	-
Transfer to internally restricted for strategic initiatives (note 9)	-	\$100,000	(100,000)	-	-
Balance, end of year	\$109,600	\$100,000	\$676,500	\$886,100	\$837,100

The Institute of Chartered Accountants of Manitoba

NOTES TO FINANCIAL STATEMENTS For the year ended March 31, 2006

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 recorded at cost. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

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) Revenue recognition

Member, student, and practitioner fees are recognized in the year to which they relate. Course and activity revenue are recognized when the event is presented. Investment income is recorded on a proportionate share of revenue, gains and losses within the pooled funds, as well as on disposition of units owned.

d) Administration expense

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

e) Financial instruments

The Institute's financial instruments consist of cash, accounts receivable, investments, accounts payable and obligation under capital lease. It is management's opinion that the Institute is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The carrying value of these instruments approximates their fair values due to their immediate or short term maturity with the exception of long-term investments for which fair value is disclosed in note 5.

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. 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, 2006 and 2005 and for the years then ended are as follows:

Financial Position

	<u>2006</u>	<u>2005</u>
Total assets	<u>\$927,700</u>	\$846,600
Total liabilities	<u>5,000</u>	<u>2,000</u>
Net assets	<u>\$922,700</u>	<u>\$844,600</u>

Net assets are comprised of restricted funds of \$394,100 (2005 - \$328,800), and general funds of \$528,600 (2005 - \$515,800). 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.

Results of Operations

	<u>2006</u>	<u>2005</u>
Total revenue	<u>\$ 140,400</u>	\$121,000
Total expense	<u>62,300</u>	<u>62,800</u>
Excess revenue	<u>\$ 78,100</u>	<u>\$ 58,200</u>

4. Related party information

CA School of Business

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

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

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

Western CA Services Association

Western CA Services Association (WCASA) is responsible for the operation of Chartered Accountants' benefit plans for the Institutes of Chartered Accountants of Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories and Yukon. WCASA is a not-for-profit organization under the *Income Tax Act*. The Manitoba Institute nominates two of the eight members of the Board of WCASA. During the year, the Institute purchased benefit plan services from WCASA for its employees at a cost of \$21,900 (2005-\$20,700).

5. Long term investments

Cost	<u>2006</u>	<u>2005</u>
Fixed income funds	\$399,200	\$352,100
Equity funds	293,700	295,300
Real estate funds	<u>130,700</u>	<u>117,200</u>
	<u>\$823,600</u>	<u>\$764,600</u>
Market	<u>\$900,600</u>	<u>\$806,000</u>

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

6. Capital assets

	<u>2006</u>		<u>2005</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment under capital lease	\$ 47,600	\$ 30,900	\$ 47,600	\$ 21,400
Office furniture and equipment	148,600	103,100	150,400	109,300
Computer equipment	109,400	84,200	105,000	81,600
Leasehold improvements	145,300	109,000	145,300	94,500
Computer database system	41,000	41,000	41,000	41,000
Communication initiatives	<u>12,000</u>	<u>7,700</u>	<u>8,500</u>	<u>4,200</u>
	<u>\$503,900</u>	<u>\$375,900</u>	<u>\$497,800</u>	<u>\$352,000</u>
Net book value	<u>\$128,000</u>		<u>\$145,800</u>	

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

7. Commitments

Lease obligations

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

	Capital Lease	Operating Leases
Year ending March 31, 2007 -	\$11,300	\$62,500
2008 -	8,500	64,400
2009 -	<u>-</u>	<u>46,200</u>
Total minimum lease payments	19,800	<u>\$173,100</u>
Less: Amount representing interest	<u>1,400</u>	
Present value of minimum payments	<u>\$18,400</u>	

University support

The Institute made the fourth 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.

8. Deferred lease inducement

On signing the ten year office lease, the Institute received a \$130,600 lease inducement which is being amortized to office occupancy expense on a straight line basis over the term of the lease. This lease expires in December 2008.

9. Internally restricted net assets

During the year, 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.

The Institute of Chartered Accountants of Manitoba

Notes to Financial Statements continued

10. Administration expense

	<u>2006</u>	<u>2005</u>
Salaries and benefits	\$588,400	\$538,900
Office occupancy	110,300	106,500
General expenses	75,500	70,700
Business taxes and insurance	47,500	47,200
Communications	44,800	44,300
Database support	30,000	30,000
Professional fees	22,300	34,600
Stationery and supplies	19,700	19,400
	<u>\$938,500</u>	<u>\$891,600</u>

11. Professional conduct and membership expense

Costs for professional conduct and membership are shown net of recoveries of \$5,300 (2005-nil) from fines assessed by the Discipline Committee.

12. Statement of Cash Flows

A statement of cash flows is not considered to provide additional meaningful information and accordingly is not included.