

Chartered Accountants'
Education Foundation
Annual Report 2013

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Message from the Chair

Fiscal year 2013 was a particularly special one for the Chartered Accountants' Education Foundation (CAEF or the Foundation) because of its 30th anniversary celebrations from July 1, 2012 to June 30, 2013. For three decades, the CAEF has raised awareness of the CA designation and supported students whose goals include becoming CAs. As well, the CAEF has supported the instructors and post-secondary institutions who help students reach their goals. This is a fulfilling accomplishment that the Foundation is extremely proud of, and we want to acknowledge that this success would not have been possible without the ongoing support of Alberta CAs and many other generous donors.

In 2013, the Foundation began working under a new, three-year strategic plan. Under this plan, various strategic initiatives were implemented that concentrated on supporting accounting research; focusing funding to support business and accounting education; developing and implementing a donor stewardship program; and developing a new legacy project to follow on the heels of the successful launch of the Foundation's youth financial literacy program, The Money Project. In this annual report, you can read more about our efforts and successes in pursuing those strategic goals.

In February 2013, the Foundation said "goodbye and best wishes" to Jane Halford FCA, who had served as Executive Director of the Foundation since 2006. During her time as Executive Director, Jane led a number of ambitious and successful initiatives to grow the reach and influence of CAEF across Alberta. Her contributions were profound and innumerable, and the entire Board of Governors thanks Jane for all she did in the service of the Foundation.

It is an exciting time to be involved in the Foundation and it has been a pleasure to have had this opportunity to give back to the CA profession in Alberta and serve as Chair of the Board of Governors for the past two years. I look forward to another fruitful year for the Foundation in 2013/14 under the leadership of incoming Chair, Alex Tutschek CA.

Respectfully submitted,

Bob Twerdun FCA
Chair, CAEF Board of Governors

Management's Discussion & Analysis June 22, 2013

Management's Discussion and Analysis

The following is Management's Discussion and Analysis ("MD&A") of the Chartered Accountants' Education Foundation (CAEF or the Foundation) operating and financial results as at and for the year ended March 31, 2013, as well as information and estimates concerning CAEF's future outlook based on currently available information. This discussion should be read in conjunction with the CAEF's audited financial statements as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012, together with accompanying notes. All financial information is reported in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Forward Looking Information

This MD&A was prepared on June 22, 2013 and is management's assessment of CAEF's historical financial and operating results. Certain statements in this Annual Report and MD & A are forward-looking statements subject to risks and uncertainties. A number of factors could cause actual results to differ materially from those expressed in the forward-looking statements, as described under the Risk Section (p.6) in this MD & A.

The mission of the CAEF is to support the institutions and people who will develop and inspire future Chartered Accountants (CA) with a vision that CAs and other donors trust the CAEF to impact and influence professional accounting education.

In 2012/13, the Foundation began operating under a new three-year strategic plan. Under this plan, which was developed by the Foundation's Board of Governors, various strategic initiatives were implemented that focused on:

- supporting accounting research;
- focusing funding to support business and accounting education;
- developing and implementing a donor stewardship program; and
- developing a new legacy project.

Key Performance Drivers

As an organization that operates in the not-for-profit sector, the CAEF is not driven solely by financial results; however, it does rely on financial indicators to ensure that the resources entrusted to it are used efficiently and in an appropriate manner. Several non-financial indicators are also used to measure the progress of implementation of the strategy and achievement of the goals. The primary indicators of the CAEF's success are financial performance and accomplishments compared to the business plan.

Financial Performance

CAEF management prepares a budget each year that represents the expectations articulated in the business plan. The Board of Governors receives periodic reporting on the actual income and expenses and any variance from budget to monitor the extent to which its financial objectives have been met, and by how effectively its financial resources have been managed.

Management's Discussion & Analysis June 22, 2013

Achieving Goals

The goals of the Foundation were outlined in its 2012/13 business plan. The actions to accomplish the plan's initiatives were reported to the Board of Governors on a regular basis to monitor progress and effectiveness.

Capability to deliver results

The Foundation's ability to deliver results is dependent on three factors: capital resources and liquidity, net assets, and non-financial resources.

Capital resources and liquidity

At March 31, 2013, the Foundation had cash and investments totaling approximately \$2,818,000 (2012 - \$2,691,000). Investments are presented at fair value. The Foundation's investments are a diverse portfolio of fixed income and Canadian and US equities, on which it earns interest, dividend and capital gains income, and are managed by a qualified investment counselor in consultation with the Board's Investment Committee.

Net Assets

Net assets at March 31, 2013 totaled \$2,760,000 (2012 - \$2,663,000), comprising: \$2,081,000 (2012 - \$2,051,000) externally restricted by the contributors, \$32,000 (2012 - \$133,000) in net assets internally restricted as they resulted from donations and the net investment income earned on retained donations relating to the Financial Literacy and Bridges to the Future campaigns, and \$647,000 (2012 - \$479,000) in unrestricted net assets.

Non-financial Resources

In addition to one full time staff position, the Foundation relies on experienced volunteers and the staff of the Institute of Chartered Accountants of Alberta (ICAA) to carry out its mandate. The Foundation benefits enormously from the support of CAs who volunteer time and energy to strengthen the goals of the Foundation. Among the staff of the ICAA are diverse backgrounds and specialties that the Foundation can draw on to advance its goals. These volunteers and ICAA staff ensure that the Foundation's goals are achieved.

Results and Outlook

In 2012/13, the first year of a new three-year strategic plan, the Foundation focused on several strategies, as outlined and prioritized in the 2012/13 CAEF business plan. The following are highlights of the year as the Foundation worked to achieve its strategic goals:

- The Foundation continued to fundraise for 'Paying it Forward' – a two-year fundraising campaign, launched in September 2010, with the goal of raising \$250,000 over two years to support youth financial literacy education in Alberta. Many fundraising initiatives were developed under the scope of the two-year Paying it Forward campaign in order to engage potential donors, including: the Forward Thinkers Club and 30 for \$3,000 challenge. The Forward Thinkers Club project targeted early career CAs by encouraging individual donations of

Management's Discussion & Analysis June 22, 2013

\$100 (or more) to Paying it Forward. Donors in this category were provided with a special pin, certificate and recognition as an official CAEF Forward Thinker. Approximately \$12,000 was raised from this initiative. The 30 for \$3,000 challenge was designed to challenge Alberta CAs, firms and training offices to help the CAEF raise funds by donating \$3,000 (or more) to Paying it Forward within a specified timeframe. The total raised from the 30 for \$3,000 challenge was more than \$35,000.

- In November 2012, the Foundation successfully launched 'The Money Project'- a web portal that acts as a one-stop shop for money management resources for Alberta's young people, specifically junior and senior high school students. The web portal is designed to connect students to the many financial literacy resources that exist for them online, while also providing valuable, unique content about personal money management. The Money Project was launched at an Edmonton high school, where a group of students were the first to experience the portal and discover all of its resources. The launch event earned valuable media coverage, which not only dramatically raised the profile of the Foundation, but also showcased the CA profession as one that is interested in giving back to the community.
- The Foundation began planning for a new legacy project: From Classroom to Boardroom. Over the years, the Foundation has heard from many young CAs and employers that for graduates, the transition from the post-secondary environment to the culture of the contemporary business sector can be different from what students anticipate. In 2012/13, the Foundation began laying the groundwork for this new project by meeting with various stakeholders for a preliminary brainstorming session to draw on participants' experience and expertise on how to make the "from classroom to boardroom" project successful for participants.
- In 2012/13, the Foundation created a brand new award – the CAEF Impact Award – designed to honour annually an individual for his or her contributions to the work and goals of the Foundation. In June 2012, the inaugural CAEF Impact Award was presented to Steve Glover FCA at the ICAA's annual Merit Awards Gala.
- To coincide with its 30th anniversary, in 2012/13 the Foundation created and distributed new scholarships to Alberta high school, post-secondary and CA School of Business students, with a combined value of \$33,500. This scholarship initiative was very successful, with nearly 100 applications received, earning a higher profile for the Foundation and the CA profession in Alberta high schools and on post-secondary campuses.
- In May 2012, the Foundation hosted its 3rd annual CAEF Conference for Academics which saw the highest attendance to date. At this conference, CAEF-funded PhD candidates in Accounting were highlighted by creating a speaking opportunity for these individuals to present to conference participants on current research topics.

Management's Discussion & Analysis June 22, 2013

Outlook for 2013/14

- In 2013/14, the Foundation, operating in year two of its three-year strategic plan (2012-15) will continue to focus on the following strategic goals: supporting accounting research; focusing funding to support business and accounting education; developing and implementing a donor stewardship program; and developing a new legacy project.
- With the successful completion of the Paying it Forward campaign in 2012/13 and the launch of The Money Project (www.TheMoneyProject.ca), the Foundation will be transferring its youth financial literacy program to ICAA's high school career information portfolio. In addition to a province-wide marketing campaign, the program will also include a variety of volunteer opportunities for Alberta CAs to make an impact on junior and senior high school students in classrooms across Alberta.
- In 2013/14, the Foundation's goal is to continue to work with post-secondary institutions, employers and students to develop tools and resources to help students cross the bridge from classroom to boardroom and help prepare young Albertans as they embark on their careers. The Foundation plans to commence a fundraising campaign tied to this initiative with the expectation to launch this program in fall 2013.
- Due to the resounding success of the 30th anniversary scholarship program, the Foundation plans to launch a fundraising campaign to generate the funds needed to offer the scholarships to Alberta high school, post-secondary and CA School of Business students in 2013/14. The Foundation expects to advertise these scholarships in January 2014.

Risk

There are circumstances in the Foundation's internal and external environments that impact operational and financial risks, and uncertainties that could affect the successful implementation of its plans.

Financial

The Foundation depends on investment income and donations to fund its programs. The impact of discontinued support of important donors would have a significant effect on the operations of the Foundation. Staff works to mitigate this risk with effective communications and donor stewardship. The investment income is dependent on the capital markets. CAEF is subject to market volatility, which can impact the ability to meet obligations to stakeholders. To minimize the likelihood and impact of this risk, the Board of Governors has appointed an investment committee and has a well-defined Investment Policy that articulates the investment objectives and constraints. The Investment Policy requires that the funds be managed by a qualified Investment Counselor and specifies the asset mix of the portfolio. The portfolio results are reported to the Investment Committee quarterly and to the Board annually.

Management's Discussion & Analysis June 22, 2013

Human resources

The Foundation relies on the services of volunteers and ICAA staff to complete its projects, and the talent and expertise of its volunteers are among its most valuable resources. At the same time, there is always some risk that volunteers may not be as willing or able to donate their time or talents in the future, due to ever-increasing competition for their attention. This means that the Foundation could eventually incur a significant cost in trying to replace lost expertise. To mitigate this risk, the Foundation continues to nurture ongoing volunteerism by ensuring positive and rewarding experiences for volunteers, and by structuring volunteer opportunities in a flexible manner.

Independent Auditors' Report

To the Board of Governors of the Chartered Accountants' Education Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Chartered Accountants' Education Foundation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 Accounting Standards for Not-for-Profit Organizations, 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 audits. We conducted our audits 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 in our audits 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 Chartered Accountants' Education Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Kouri Berezan Heinrichs
Chartered Accountants
June 22, 2013
Edmonton, Canada

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Chartered Accountants' Education Foundation (CAEF) and all the information in this annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

CAEF maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the CAEF's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee, which is composed of certain Board members, reviews the financial statements and other information contained in the annual report and recommends them to the Board for approval. The Committee meets with management as well as the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is discharging its responsibilities properly and to review the financial statements and the external auditors' report. The Committee also recommends the engagement of the external auditors, which is reviewed and approved by the Board.

The financial statements have been audited by Kouri Berezan Heinrichs Chartered Accountants, in accordance with Canadian generally accepted auditing standards, on behalf of the members. Kouri Berezan Heinrichs Chartered Accountants has full and free access to the Audit Committee.

Gordon Turtle
Interim Executive Director

Min Yao, CMA
ICAA Controller

June 22, 2013

Chartered Accountants' Education Foundation

Statement of Financial Position

| | March 31 <u>2013</u> | March 31 <u>2012</u> | April 1 <u>2011</u> |
|---|---------------------------------|---------------------------------|--------------------------------|
| Assets | | | |
| Cash | \$ 563,972 | \$ 549,254 | \$ 476,142 |
| Accounts receivable | 65,402 | 8,839 | 5,361 |
| Investments (note 7) | 2,253,745 | 2,141,419 | 2,132,876 |
| | \$2,883,119 | \$2,699,512 | \$2,614,379 |
| Liabilities | | | |
| Accounts payable | \$ 123,008 | \$ 32,749 | \$ 28,511 |
| Grants payable | - | 4,130 | 19,762 |
| | 123,008 | 36,879 | 48,273 |
| Net Assets (note 8 and Schedule I, II and III) | | | |
| Restricted externally for endowment purposes | 1,592,114 | 1,568,377 | 1,610,170 |
| Restricted externally for other purposes | 488,659 | 482,758 | 461,258 |
| Internally restricted, Financial Literacy | 31,667 | 98,390 | 67,781 |
| Internally restricted, Bridges to the Future | 386 | 34,192 | 34,051 |
| Unrestricted | 647,285 | 478,916 | 392,846 |
| | 2,760,111 | 2,662,633 | 2,566,106 |
| | \$2,883,119 | \$2,699,512 | \$2,614,379 |

Commitments (note 4)

Approved on behalf of the Board of Governors

Bob Twerdun, FCA
Chair

Karen Munjak, CA
Secretary Treasurer

Chartered Accountants' Education Foundation

Statement of Operations and Changes in Net Assets

for the year ended March 31

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Revenues | | |
| Contributions: | | |
| ICAA (note 5) – member fees | \$636,669 | \$612,403 |
| For capital or endowments (note 4 & Schedule III) | 7,500 | 7,500 |
| For restricted funds (note 8 & Schedule I & II) | 17,681 | 42,061 |
| Program donations (Schedule III) | 46,364 | 91,648 |
| Investment income: | | |
| Interest and dividends | 72,211 | 68,143 |
| Realized loss | (21,378) | (50,326) |
| Unrealized gain on investments | 51,313 | 1,890 |
| Event fundraising | 9,047 | 19,775 |
| Other Income (PhD Loan Repayment) | 100,797 | - |
| | 920,204 | 793,094 |
| Expenditures | | |
| Grants for post-secondary institutions: | | |
| For operations | 159,368 | 189,650 |
| For capital or endowments (note 4 & Schedule III) | 16,900 | 42,900 |
| Forgivable loans for PhD students | 120,000 | 120,000 |
| Student awards and support | 56,875 | 71,890 |
| 30 th Anniversary Scholarship | 33,500 | - |
| Teaching prizes | 17,135 | 13,880 |
| Other program expenditures | 262,642 | 105,573 |
| Operating expenses (Schedule IV) | 156,306 | 152,674 |
| | 822,726 | 696,567 |
| Excess of revenues over expenditures | 97,478 | 96,527 |
| Net assets, beginning of year | 2,662,633 | 2,566,106 |
| Net assets, end of year | \$2,760,111 | \$2,662,633 |

Chartered Accountants' Education Foundation

Statement of Cash Flows

for the year ended March 31

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|------------------|------------------|
| Operating Activities | | |
| General Fund | | |
| Contributions received | \$783,829 | \$704,051 |
| Fundraising activities | 9,047 | 19,775 |
| Investment income received | 22,392 | 18,450 |
| | 815,268 | 742,276 |
| Expenditures and grants paid | (750,477) | (658,292) |
| | 64,791 | 83,984 |
| Flow Through Fund | | |
| Contributions received | 7,500 | 7,500 |
| Expenditures and grants paid | (7,500) | (7,500) |
| | - | - |
| Restricted Fund | | |
| Contributions received | 17,681 | 42,061 |
| Investment income received | 49,451 | 53,264 |
| | 67,132 | 95,325 |
| Expenditures and grants paid | (58,375) | (70,890) |
| | 8,757 | 24,435 |
| Cash from operations | 73,548 | 108,419 |
| Investing Activities | | |
| Purchase of investments | (3,314,458) | (820,849) |
| Sale of investments | 3,255,628 | 785,542 |
| Cash used for investing | (58,830) | (35,307) |
| Increase in cash | 14,718 | 73,112 |
| Cash, beginning of year | 549,254 | 476,142 |
| Cash, end of year | \$563,972 | \$549,254 |

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

The Chartered Accountants' Education Foundation (CAEF or the Foundation) was established in 1982 by the Institute of Chartered Accountants of Alberta (ICAA) and is incorporated under the *Societies Act of Alberta*. CAEF is overseen by a Board of Governors and its mission is to support business education and promote the excellence of the CA profession.

CAEF is a public foundation registered under *the Income Tax Act (Canada)* and as such is exempt from income taxes and able to issue donation receipts for income tax purposes.

1. Adoption of Accounting Standards for Not-for-Profit Organizations

Effective April 1, 2012, CAEF adopted the Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the Canadian Institute of Chartered Accountants (CICA) Handbook (Part III). These are the first financial statements prepared by CAEF in accordance with Part III. CAEF has elected to record all non-equity investments at fair value. There were no material changes as a result of adopting the new standards.

In accordance with the transition provisions in Part III of the CICA Handbook, CAEF has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information has been presented by applying these standards.

2. Foundation Funds

General Fund

The General fund is the main operating fund for CAEF programs. It receives unrestricted contributions which are used to support CAEF objectives, programs and administrative costs.

Internally Restricted Fund

Management has internally restricted funds raised in connection with two important initiatives to be spent according to each respective project charter.

- Bridges to the Future - The funds raised in connection with the 25th Anniversary were designated as the Bridges to the Future fund. The expenditures made have been in accordance with the mandate described in the Bridges to the Future project charter. The CA Bridging program has been fully launched, in partnership with the University of Lethbridge (Dec 2009), in Edmonton (May 2010) and Calgary (May 2011). The program helps qualified career changers and new Canadians attain the post-secondary prerequisites required for admission into the CA School of Business.
- Paying it Forward - In September 2010, the Foundation launched a new fund development campaign called Paying it Forward. The goal of this 2 year campaign was to raise funds for projects that provide financial literacy and personal money management tools and resources for young Albertans.

Flow Through Fund

The Flow Through Fund receives contributions from donors which are designated for specific programs and which are disbursed to those specific programs within a short period of time, usually within the same fiscal year.

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

Restricted Funds

Restricted funds are established as requested by donors. There are two types:

- Restricted externally for endowment purposes – named funds held in perpetuity and directed in accordance with terms established by the donors or sponsors; and
- Restricted externally for other purposes – named funds held for several years and directed in accordance with terms established by the donors or sponsors

3. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Significant accounting policies are described below:

a) Donated services

The work of CAEF is dependent on the services of many volunteers. The value of donated services is not recognized in these statements.

b) Revenue recognition

CAEF follows the restricted fund method of accounting for contributions as follows:

- (i) Restricted contributions are recognized as revenue of the applicable restricted fund in the year the contribution is received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured;
- (ii) Flow through contributions are recognized as revenue in the Flow Through Fund. The Flow Through Fund often receives multi-year pledges which are recognized as revenue in the year the payment is received, or the current installment receivable has been invoiced and acknowledged by the donor, thus providing reasonable assurance of collection; and
- (iii) Unrestricted and internally restricted contributions are recognized as general revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Cash

Cash includes bank balances and cash held in Scotia Cassels investment account.

d) Grants Payable

For those projects that are significantly dependent on the contributions and support of other organizations and individuals, the grants are recorded as the applicable amounts are received from the other organizations and individuals. This is the case for the commitments to the University of Lethbridge capital campaign and the matching program for University of Alberta. Otherwise, Foundation grants are recorded at the date approved by the Board of Governors of CAEF.

e) Grants for PhD Studies

Forgivable grants are provided to qualified candidates while studying for a PhD in accounting. The grants are forgivable if the candidate earns the PhD and teaches at one of the prescribed universities for a period of one year for each year the grant was received. The grants are recorded as an expense at the date approved by the Board and any recoveries due to grant conditions not being met are recorded as a receivable, providing collection is reasonably assured.

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

f) Financial Instruments

Investments are recorded at fair value. Investment income includes interest income and realized and unrealized gains and losses net of management fees. Realized gains are calculated as the difference between the proceeds received and the market value at the later of either: the date the investments was purchased or the last reported market value. As a result, the gains and losses from investments, whether realized or unrealized, reflects only the change in value in the current period.

Financial assets and liabilities are initially measured at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. All financial assets and financial liabilities are subsequently measured at amortized cost, except for Investments, which the organization measures at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost includes Cash and Accounts receivable.

Financial liabilities measured at amortized cost includes Accounts payable and Grants payable.

g) Use of Estimates

The preparation of financial statements in conformity with Part III requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management estimates the collectability of Accounts receivable. Actual results could differ from those estimates.

4. Grants for Post-Secondary Institutions for Capital and Endowment Programs

For the following programs, the portion of the grants financed by contributions from external sources are recorded as expenditures of the Flow Through Fund and the portion of grants financed by CAEF are recorded as expenditures in the General Fund.

a) University of Lethbridge – Management Building

CAEF, on a prescribed matching basis, and various donors committed \$500,000 towards a capital campaign for the University of Lethbridge which has been completed. In 2008, CAEF committed a further \$125,000 on a prescribed matching basis toward a capital campaign for the University of Lethbridge; payments that commenced in 2008 extend over a period of five years and are substantially complete.

b) University of Alberta – CA Fund for Faculty Development

Pledges to and payments for the CA Fund for Faculty Development totaling approximately \$900,000 commenced in 2005 and certain of these were matched by CAEF, the maximum matching amount having now been reached. Most payments extended over a period of five years and are substantially complete, however, one pledge received under the program was for 10 years, and 2013 represented the ninth payment received and paid to University of Alberta under that pledge.

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

5. Institute of Chartered Accountants of Alberta

ICAA Council (Council) appoints two of its members to serve on the CAEF nominating committee, which appoints the Board of Governors of CAEF.

The Council also establishes the level of contributions to CAEF by way of a component of the annual fees assessed to ICAA members. For 2013, ICAA paid \$75 (2012 – \$75) for every resident member, for a total of \$636,669 (2012 – \$612,403). In addition, certain ICAA staff devote time to Foundation affairs for which no charges were incurred.

CAEF paid \$234,425 (2012 – \$168,354) to the ICAA for costs incurred on behalf of CAEF.

The 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.

Amounts due to the ICAA at March 31, 2013 total \$16,431 (2012 - \$4,301) and are included in Accounts payable.

6. Financial Instruments and Risk Management

Investments are carried at fair values as determined directly by reference to published price quotations in an active market. Interest rates on marketable investments vary from approximately 4.0% to 6.5% per annum. (In 2012, the annual interest rate on marketable investments ranged from 3.6% to 6.6% per annum).

Credit risk

CAEF does not have a concentration of credit exposure with any one party, and therefore does not consider that it is exposed to undue credit risk.

Interest rate risk

The Investments of CAEF are subject to price risk because changing interest rates impact the market value of the fixed rate investments.

Liquidity risk

The Investments are subject to liquidity risk should CAEF be required to sell at a time that the market for the investments is unfavourable.

CAEF manages its credit, liquidity and cash flow risk by restricting Investments to a diverse range of government and corporate fixed income securities, and Canadian equities in a diverse range of industries, as prescribed by the Investment Policy approved by the Board of Governors. As it is CAEF's expectation to hold its Investments to maturity, its cash flows are exposed to minimal price and liquidity risk.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

7. Investments

The fair value of CAEF's investment portfolio consists of:

| | <u>March 31</u> <u>2013</u> | | <u>March 31</u> <u>2012</u> | | <u>April 1</u> <u>2011</u> | |
|-------------------------|--------------------------------|------|--------------------------------|------|-------------------------------|------|
| Fixed income securities | \$1,583,458 | 70% | \$1,501,044 | 70% | \$1,497,072 | 70% |
| Equities: | | | | | | |
| Canadian | 514,657 | 23 | 460,769 | 22 | 493,994 | 23 |
| US | 155,630 | 7 | 179,606 | 8 | 123,766 | 6 |
| International | | | | | 18,044 | 1 |
| | \$2,253,745 | 100% | \$2,141,419 | 100% | \$2,132,876 | 100% |
| Cost | \$2,188,659 | | \$2,104,399 | | \$2,069,779 | |

The investment policy set by the Board of Governors has as its main objective the preservation of capital. Interest and investment income is recognized when earned.

8. Restricted Net Assets

CAEF manages restricted funds as directed by the donors or in accordance with criteria approved by the Board of Governors. All of these funds provide student awards and other student support. The following restricted funds have been pooled with other CAEF funds and the net investment income is allocated, proportionate to net assets:

| Fund | Schedule I | Year Established |
|---|--------------------|-------------------------|
| Restricted externally for endowment purposes | | |
| Elvin Christenson Bursary Fund | Christenson | 1994 |
| Francis G. Winspear Fund | Winspear | 1994 |
| Robert Waller FCA Bursary in Accounting | Waller | 1995 |
| Harold Milavsky Graduating Award in Accounting | Milavsky | 1996 |
| James C. Miller Bursary in Accounting | Miller | 1996 |
| Dr. Richard Haskayne FCA Graduating Award for Finance | Haskayne | 1997 |
| David Sharpe Award | Sharpe | 1997 |
| Dale Parry Memorial Fund | Parry | 1999 |
| Easton Fund | Easton | 2001 |
| Kouri Berezan Heinrichs Fund | KBH | 2002 |
| Gordon V. Rasmussen Memorial Fund | Rasmussen | 2002 |
| Schaefer Mount Royal Fund | Schaefer MT. Royal | 2002 |
| Peter Valentine FCA Essay Fund | Valentine | 2002 |
| Angela Nicoli-Griffiths Scholarship Fund | Nicoli-Griffiths | 2003 |
| Douglas R. Hagerman FCA Memorial Fund | Hagerman | 2003 |
| Eric Connelly FCA Award Fund | Connelly | 2004 |
| Rick Cormier Memorial Award | Cormier | 2004 |
| Steve J. Glover FCA Fund for Thought Leadership | Glover | 2005 |
| Larry Swonek CA Bursary Fund | Swonek | 2005 |
| John Alvin Tupper Fund | Tupper | 2006 |

Chartered Accountants' Education Foundation

Notes to Financial Statements for the year ended March 31, 2013

8. Restricted Net Assets (continued)

| Restricted externally for other purposes | Schedule I | Year Established |
|--|-------------------|-------------------------|
| Robert Card Fund | Card | 1989 |
| Clem Collins FCA Student Assistance Fund | Collins | 2001 |
| Veres Picton & Co. Michael Lissey CA Memorial Award Fund | Lissey | 2003 |
| Alton Bruce Ross Memorial Bursary | Ross | 2004 |
| McClement Fund | McClement | 2006 |
| Jack Baker FCA Fund | Baker | 2006 |
| Ken Kouri FCA and Jennifer Kouri Fund | Kouri | 2008 |
| Morgan Award in Accounting | Morgan | 2008 |
| Harry G. Schaefer FCA Fund | Schaefer | 2009 |
| Don Wilson Memorial Education Fund | Wilson | 2010 |
| Academic Research Fund | ARF | 2012 |
| Kenneth Biggs FCA and Leone Biggs Fund | Biggs | 2012 |

Schedule I: Restricted Net Assets as at March 31, 2013

| | Net Assets Beginning | Contributions | Investment Income (Loss)* | Expenditures | Excess (deficiency) of Revenue Over Expenditure | Net Assets Ending |
|--|-------------------------|-----------------|---------------------------------|-------------------|---|----------------------|
| Restricted externally for endowment purposes (Note 8) | | | | | | |
| Christenson | \$ 74,290 | \$ 2,385 | \$ 2,634 | \$ (2,500) | \$ 2,519 | \$ 76,809 |
| Connelly | 57,197 | - | 1,952 | (2,000) | (48) | 57,149 |
| Cormier | 74,853 | - | 2,618 | (1,000) | 1,618 | 76,471 |
| Easton | 72,354 | - | 2,490 | (2,000) | 490 | 72,844 |
| Glover | 283,383 | - | 9,988 | (1,000) | 8,988 | 292,371 |
| Nicoli-Griffiths | 28,466 | - | 979 | (1,000) | (21) | 28,445 |
| Hagerman | 32,630 | - | 1,153 | - | 1,153 | 33,783 |
| Haskayne | 124,384 | 500 | 4,410 | - | 4,910 | 129,294 |
| KBH | 44,347 | 100 | 1,521 | (2,500) | (879) | 43,468 |
| Milavsky | 62,089 | - | 2,194 | - | 2,194 | 64,283 |
| Miller | 66,585 | - | 2,274 | (2,500) | (226) | 66,359 |
| Parry | 20,955 | - | 708 | (1,000) | (292) | 20,663 |
| Rasmussen | 24,186 | - | 830 | (1,000) | (170) | 24,016 |
| Schaefer Mt. Royal | 87,308 | - | 2,999 | (3,500) | (501) | 86,807 |
| Sharpe | 49,931 | - | 1,682 | (3,000) | (1,318) | 48,613 |
| Swonek | 67,223 | 1,950 | 2,378 | (2,000) | 2,328 | 69,551 |
| Tupper | 30,714 | - | 1,052 | (1,000) | 52 | 30,766 |
| Valentine | 82,313 | - | 2,909 | - | 2,909 | 85,222 |
| Waller | 106,942 | - | 3,647 | (3,750) | (103) | 106,839 |
| Winspear | 178,227 | - | 6,134 | (6,000) | 134 | 178,361 |
| | \$1,568,377 | \$ 4,935 | \$ 54,552 | \$ (35,750) | \$ 23,737 | \$1,592,114 |
| Restricted externally for other purposes | | | | | | |
| Baker | \$ 5,087 | - | 181 | - | 181 | 5,268 |
| Biggs | 12,557 | 6,030 | 609 | - | 6,639 | 19,196 |
| Card | 12,545 | - | 443 | - | 443 | 12,988 |
| Collins | 24,474 | 3,216 | 962 | - | 4,178 | 28,652 |
| Lissey | 34,904 | - | 1,184 | (2,000) | (816) | 34,088 |
| McClement | 17,284 | - | 611 | - | 611 | 17,895 |
| Ross | 6,157 | - | 182 | (1,000) | (818) | 5,339 |
| Kouri | 17,046 | 3,000 | 659 | (1,125) | 2,534 | 19,580 |
| Morgan | 252,376 | - | 8,522 | (15,000) | (6,478) | 245,898 |
| Schaefer | 51,158 | 500 | 1,753 | (2,500) | (247) | 50,911 |
| Wilson | 31,218 | - | 1,039 | (2,000) | (961) | 30,257 |
| ARF | 17,952 | - | 635 | - | 635 | 18,587 |
| | 482,758 | 12,746 | 16,780 | (23,625) | 5,901 | 488,659 |
| 2013 Total | \$2,051,135 | \$17,681 | \$ 71,332 | \$(59,375) | \$ 29,638 | \$2,080,773 |
| 2012 Total | \$2,071,428 | \$42,061 | \$8,536 | \$(70,890) | \$(20,293) | \$2,051,135 |

*Net of fair value adjustment

Schedule II: Restricted Net Assets as at March 31, 2012

| | Net Assets Beginning | Contributions | Investment Income (Loss)* | Expenditures | Excess (deficiency) of Revenue Over Expenditure | Net Assets Ending |
|--|-------------------------|------------------|---------------------------------|--------------------|---|----------------------|
| Restricted externally for endowment purposes (Note 8) | | | | | | |
| Christenson | \$ 76,465 | \$ - | \$ 325 | \$ (2,500) | \$ (2,175) | \$ 74,290 |
| Connelly | 58,961 | - | 236 | (2,000) | (1,764) | 57,197 |
| Cormier | 75,537 | - | 316 | (1,000) | (684) | 74,853 |
| Easton | 73,731 | 325 | 298 | (2,000) | (1,377) | 72,354 |
| Glover | 282,216 | - | 1,167 | - | 1,167 | 283,383 |
| Nicoli-Griffiths | 29,341 | - | 125 | (1,000) | (875) | 28,466 |
| Hagerman | 32,496 | - | 134 | - | 134 | 32,630 |
| Haskayne | 128,856 | - | 528 | (5,000) | (4,472) | 124,384 |
| KBH | 46,501 | 150 | 196 | (2,500) | (2,154) | 44,347 |
| Milavsky | 64,328 | - | 261 | (2,500) | (2,239) | 62,089 |
| Miller | 68,811 | - | 274 | (2,500) | (2,226) | 66,585 |
| Parry | 21,866 | - | 89 | (1,000) | (911) | 20,955 |
| Rasmussen | 25,079 | - | 107 | (1,000) | (893) | 24,186 |
| Schaefer Mt. Royal | 90,426 | - | 382 | (3,500) | (3,118) | 87,308 |
| Sharpe | 52,703 | - | 228 | (3,000) | (2,772) | 49,931 |
| Swonek | 67,738 | 1,200 | 285 | (2,000) | (515) | 67,223 |
| Tupper | 31,585 | - | 129 | (1,000) | (871) | 30,714 |
| Valentine | 80,780 | 1,200 | 333 | - | 1,533 | 82,313 |
| Waller | 110,251 | - | 441 | (3,750) | (3,309) | 106,942 |
| Winspear | 192,499 | - | 823 | (15,095) | (14,272) | 178,227 |
| | \$1,610,170 | \$ 2,875 | \$ 6,677 | \$ (51,345) | \$(41,793) | \$1,568,377 |
| Restricted externally for other purposes | | | | | | |
| Baker | \$ 5,066 | \$ - | \$ 21 | \$ - | \$ 21 | \$ 5,087 |
| Biggs | - | 12,598 | (41) | - | 12,557 | 12,557 |
| Card | 13,989 | - | 56 | (1,500) | (1,444) | 12,545 |
| Collins | 18,846 | 4,588 | 85 | 955 | 5,628 | 24,474 |
| Lissey | 35,751 | 1,000 | 153 | (2,000) | (847) | 34,904 |
| McClement | 17,213 | - | 71 | - | 71 | 17,284 |
| Ross | 7,130 | - | 27 | (1,000) | (973) | 6,157 |
| Kouri | 15,488 | 3,000 | 58 | (1,500) | 1,558 | 17,046 |
| Morgan | 261,262 | - | 1,114 | (10,000) | (8,886) | 252,376 |
| Schaefer | 53,429 | - | 229 | (2,500) | (2,271) | 51,158 |
| Wilson | 33,084 | - | 134 | (2,000) | (1,866) | 31,218 |
| ARF | - | 18,000 | (48) | - | 17,952 | 17,952 |
| | 461,258 | 39,186 | 1,859 | (19,545) | 21,500 | 482,758 |
| 2012 Total | \$2,071,428 | \$ 42,061 | \$8,536 | \$(70,890) | \$(20,293) | \$2,051,135 |
| 2011 Total | \$1,995,320 | \$ 32,752 | \$113,039 | \$(69,683) | \$ 76,108 | \$2,071,428 |

*Net of fair value adjustment

Schedule III: Operations & Changes in Net Assets

| Revenues | Unrestricted | | Internally Restricted Financial Literacy | | Internally Restricted Bridges to the Future | | Flow through | | Restricted - Endowment (Schedule I & II) | | Restricted - Other (Schedule I & II) | | Total | Total |
|--|------------------|------------------|---|-----------------|---|-----------------|--------------|------------|--|--------------------|--|------------------|--------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Contributions | | | | | | | | | | | | | | |
| ICAA members fees (note 5) | \$636,669 | \$612,403 | | | | | | | | | | | \$636,669 | \$612,403 |
| For post-secondary capital or endowments (note 4) | | | | | | | | | | | | | - | - |
| University of Alberta | | | | | | | 7,500 | 7,500 | | | | | 7,500 | 7,500 |
| University of Lethbridge | | | | | | | | | | | | | - | - |
| University of Saskatchewan | | | | | | | | | | | | | - | - |
| For endowments or restricted | | | | | | | | | 4,935 | 2,875 | 12,746 | 39,186 | 17,681 | 42,061 |
| Program donations | 4,437 | 835 | 41,927 | 90,813 | | | | | | | | | 46,364 | 91,648 |
| Event fundraising | | | 9,047 | 19,775 | | | | | | | | | 9,047 | 19,775 |
| Investment income | 28,485 | 10,713 | 1,450 | 317 | 879 | 141 | | | 54,552 | 6,677 | 16,780 | 1,859 | 102,146 | 19,707 |
| Other income | 100,797 | | | | | | | | | | | | 100,797 | - |
| | 770,388 | 623,951 | 52,424 | 110,905 | 879 | 141 | 7,500 | 7,500 | 59,487 | 9,552 | 29,526 | 41,045 | 920,204 | 793,094 |
| Expenditures | | | | | | | | | | | | | | |
| Grants for post-secondary institutions | | | | | | | | | | | | | | |
| For operations | | | | | | | | | | | | | | |
| Athabasca University | 16,100 | 15,650 | | | | | | | | | | | 16,100 | 15,650 |
| Concordia University | 9,000 | | | | | | | | | | | | 9,000 | - |
| College of Alberta | | | | | | | | | | | | | - | - |
| NAIT | | | | | | | | | | | | | - | - |
| MacEwan University | | 9,500 | | | | | | | | | | | - | 9,500 |
| Mount Royal University | 13,940 | 10,000 | | | | | | | | | | | 13,940 | 10,000 |
| University of Alberta | 47,500 | 60,000 | | | | | | | | | | | 47,500 | 60,000 |
| University of Calgary | 45,000 | 50,000 | | | | | | | | | | | 45,000 | 50,000 |
| University of Lethbridge | 24,870 | 34,500 | | | | | | | | | | | 24,870 | 34,500 |
| University of Saskatchewan | | | | | | | | | | | | | - | - |
| Other discretionary | 2,958 | 10,000 | | | | | | | | | | | 2,958 | 10,000 |
| For capital or endowments (note 4) | | | | | | | | | | | | | - | - |
| University of Alberta | | | | | | | 7,500 | 7,500 | | | | | 7,500 | 7,500 |
| University of Lethbridge | 9,400 | 35,400 | | | | | | | | | | | 9,400 | 35,400 |
| 30 th Anniversary Scholarship | 33,500 | | | | | | | | | | | | 33,500 | - |
| Grants for PhD students | 120,000 | 120,000 | | | | | | | | | | | 120,000 | 120,000 |
| Teaching prizes | 17,135 | 13,880 | | | | | | | | | | | 17,135 | 13,880 |
| Student awards & support | (1,500) | 1,000 | | | | | | | 34,750 | 51,345 | 23,625 | 19,545 | 56,875 | 71,890 |
| Program expenditures | 107,810 | 25,277 | 119,147 | 80,296 | 34,685 | | | | 1,000 | | | | 262,642 | 105,573 |
| Operating expenses (Sch IV) | 156,306 | 152,674 | | | | | | | | | | | 156,306 | 152,674 |
| | 602,019 | 537,881 | 119,147 | 80,296 | 34,685 | - | 7,500 | 7,500 | 35,750 | 51,345 | 23,625 | 19,545 | 822,726 | 696,567 |
| Excess/(deficiency) of Revenues over expenditures | 168,369 | 86,070 | (66,723) | 30,609 | (33,806) | 141 | - | - | 23,737 | (41,793) | 5,901 | 21,500 | 97,478 | 96,527 |
| Net assets, beginning of year | 478,916 | 392,846 | 98,390 | 67,781 | 34,192 | 34,051 | - | - | 1,568,377 | 1,610,170 | 482,758 | 461,258 | 2,662,633 | 2,566,106 |
| Net assets, end of year | \$647,285 | \$478,916 | \$31,667 | \$98,390 | \$386 | \$34,192 | \$- | \$- | \$1,592,114 | \$1,568,377 | \$488,659 | \$482,758 | \$2,760,111 | \$2,662,633 |

Schedule IV: Operating Expenses as at March 31

| | 2013 | 2012 |
|------------------------------|-------------|-------------|
| Staff services – ICAA | \$ 82,572 | \$ 66,300 |
| Office and professional fees | 67,188 | 36,315 |
| Administration expenses | 6,546 | 50,059 |
| | <hr/> | <hr/> |
| | \$156,306 | \$ 152,674 |

Appendix: 2012/13 CAEF Board of Governors

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Alex Tutschek CA, Vice-Chair

Boundary Equipment Co. Ltd.

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