



CPA Education Foundation

ANNUAL REPORT 2016

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## Message from the Chair

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Fiscal year 2015/16 began with the anticipation of unification of the designated accounting profession, followed by the creation of the Chartered Professional Accountants of Alberta in July 2015. This provided the CPA Education Foundation with a substantial expansion in the range and depth of opportunities the Foundation has, in order to make positive impacts on accounting education. The reach and diversity of Foundation programs and initiatives have never been broader. Thanks to both new and longtime supporters of the Foundation, its potential has never been more promising.

Over the last year, the Foundation Board developed a set of new strategic priorities for Foundation activities, and reaffirmed its commitment to representing the CPA profession with enthusiasm, and a strong sense of purpose. Within this framework, the Foundation's impact is reaching into all corners of the province in important and meaningful ways.

I want to express my appreciation to the remarkable Board members who dedicate their time, skills, and passion to the work of the Foundation. Having assumed the role of Chair in 2015, I am deeply thankful to my Board colleagues for their support, wisdom, and talent. I also must acknowledge, with the profound thanks of all Board members, the legacy of contributions left by Board members who stepped down in 2015/16. Alex Tutschek FCPA, FCA, Ryan MacDonald CPA, CA, and Dan Silvester CPA, CA all completed their Board terms during their year, and their commitment to the Foundation and its mission are remembered with gratitude.

Respectfully submitted,

Joanne Belliveau CPA, CA, CGA  
Chair, CPA Education Foundation Board of Governors

# Management's Discussion & Analysis June 23, 2016

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## Management's Discussion and Analysis

The following is Management's Discussion and Analysis (MD&A) of the CPA Education Foundation's ("the Foundation") operating and financial results as at, and for the year ended March 31, 2016, as well as information and estimates concerning the Foundation's future outlook based on currently available information. This discussion should be read in conjunction with the Foundation's audited financial statements for the years ended March 31, 2016 and March 31, 2015, together with accompanying notes. All financial information is reported in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. On April 10, 2015, the Foundation changed its name to the CPA Education Foundation.

## Forward Looking Information

This MD&A was prepared on June 23, 2016, and is management's assessment of the Foundation'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.8) in this MD&A.

2015/16 marked the culmination of the Foundation's three-year strategic plan. This plan, which was developed by the Board of Governors, implemented various strategic initiatives that focused on:

- supporting accounting research;
- focusing funding to support business and accounting education;
- developing and implementing a donor stewardship program;
- developing a new legacy project; and
- planning for the future unification of the profession in Alberta.

## Key Performance Drivers

As an organization that operates in the not-for-profit sector, the Foundation 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 Foundation's success are financial performance and accomplishments compared to strategic initiatives supported by the business plan.

## Financial Performance

The Foundation's 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 how effectively its financial resources have been managed.

## Achieving Goals

The goals of the Foundation were outlined in its 2015/16 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.

## Management's Discussion & Analysis June 23, 2016

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### **Capital resources and liquidity**

At March 31, 2016, the Foundation had cash and investments totaling approximately \$4,550,000 (2015 - \$3,099,000). 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. Investments are managed by a qualified investment counselor in consultation with the Board's Investment Committee.

### **Net Assets**

Net assets at March 31, 2016, totaled \$4,425,000 (2015 - \$3,161,000), comprising: \$3,074,000 (2015 - \$2,142,000) externally restricted by the contributors, and \$1,351,000 (2015 - \$1,019,000) in unrestricted net assets. There are currently no internally restricted net assets (2015 - \$0).

### **Non-financial Resources**

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

### **Results for 2015/16**

2015/16 was a significant planning year for the Foundation. The following highlights show the Foundation's commitment to maintaining a standard of excellence with both established and new initiatives:

- **Conference for Academics**

The Foundation hosted its 6th annual Conference for Academics in May 2015. Much like previous years, the conference provided attendees with opportunities for professional development, networking, and receiving updates on the profession and CPA Alberta. In preparation for unification, the conference's theme was aptly named "Bold, New Directions" to introduce changes in both the profession and the Foundation to attendees in a positive way.

- **Scholarship Distribution**

To streamline the internally administered scholarship application process for students, improve strategic marketing practices, and ensure that the scholarships were promoted effectively to prospective applicants, the Foundation combined the named fund and legacy scholarships under one category – Foundation Administered Scholarships. Under this umbrella, all application deadlines were changed so they shared the same date (February 29, 2016). As a result, the Foundation received over 200 applications and multiple applications were received for each award.

- **New Awards and Funds**

The David Inhaber Fund was established with a directed contribution from the CGA Education and Research Foundation through which David Inhaber CPA, CGA had established a fund. The intent and purpose of the David Inhaber Fund is to recognize the work of course facilitators of module studies in the CPA Professional Education Program.

In March 2016 the Board of the Chartered Professional Accountants of Alberta approved a donation of \$1 million to establish the CPA Alberta Scholarship Endowment. The intent and purpose of the endowment is to provide scholarships to Alberta students to enhance their ability to pursue a degree in accounting and continuation of their professional development towards

## Management's Discussion & Analysis June 23, 2016

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becoming a business leader through the Chartered Professional Accountant designation.

- **Supporting Post-secondary Institutions**

The Foundation provides annual funding to post-secondary institutions to support accounting education. In 2015/16, some of the funding was awarded through the Innovations in Accounting Education Fund. Funding requests to the Innovations in Accounting Education Fund are adjudicated based on each proposal's commitment to supporting the Foundation's goals, advancing the quality of business education, enhancing the academic strengths of the school, and enriching students' learning experiences.

In 2015/16, the Foundation provided a total of \$441,091 to post-secondary institutions. This funding came from the Innovations in Accounting Education Fund as well as through on-going funding commitments to support post-secondary institutions.

- **Supporting PhD Candidates**

As part of the Foundation's commitment to supporting individuals interested in pursuing their doctoral studies in Accounting, the PhD Support Program assists individuals who aspire to return to the post-secondary classroom and teach the next generation of business leaders.

The Foundation awarded a total of \$105,000 to PhD candidates in 2015/16.

- **2015 CPA Education Foundation Impact Award Recipient**

The Foundation was pleased to present Ronald Fath CPA, CA with the 2015 Impact Award. As a long time contributor to the Foundation, Mr. Fath's generosity has allowed the Foundation to take substantial strides forward with various important projects to advance accounting education, such as the financial literacy campaign. Thanks to Mr. Fath, the Foundation has raised the profile of the accounting profession in Alberta. His exemplary efforts have also inspired colleagues to contribute to the Foundation.

- **Donor Recognition Lunches**

The Foundation hosted two donor recognition lunches in Edmonton and Calgary respectively in June 2015. Primarily meant to show our appreciation to donors, these lunches were attended by donors, scholarship recipients, supporters and Board Members of the CPA Education Foundation, and representatives from post-secondary institutions to meet each other and learn more about the CPA Education Foundation. Both events provided the opportunity to thank donors who help the Foundation achieve its goals.

- **Migration/Facelift of the CPA Education Foundation Webpage**

In the summer of 2015, the CPA Education Foundation migrated its webpage to the newly launched CPA Alberta website. The webpage received a facelift to meet the new CPA Alberta and Foundation brand requirements. Major changes were also made to update content and improve navigation.

- **New Board Members and Appointments**

The Foundation was pleased to welcome to the Board of Governors Joe Gagliardi FCPA, FCMA and Kabir Lalani FCPA, FCGA in September 2015.

Also in September 2015, Joanne Belliveau CPA, CA, CGA assumed the role of Chair and Doug Wylie FCPA, FCMA was appointed to Vice Chair.

## Management's Discussion & Analysis June 23, 2016

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- **New Strategic Plan**

As 2014/15 culminated with the end of a three year strategic plan, the Foundation Board of Governors met in September 2015 to discuss a new strategic plan. In addition to numerous strategic priorities, the Foundation also created a new mission, vision, and set of values in order to reflect the changes happening in the CPA Education Foundation and the wider breadth of its initiatives. The new mission, vision, and values are as follows:

***Mission: The CPA Education Foundation positively impacts accounting education opportunities and those who inspire and develop future Alberta CPAs.***

***Vision: Fostering learning excellence for future Alberta CPAs.***

**Values of the CPA Education Foundation**

As the charitable arm of the CPA profession in Alberta, the CPA Education Foundation strives to operate in accordance with the following key values that underpin all of its activities.

***We are accountable:*** The Foundation feels a strong obligation to stakeholders to exercise the utmost fiscal responsibility.

***We exemplify professionalism:*** The Foundation's Directors and management team are grounded in ethical principles that reflect the very best qualities of the profession.

***We are supportive:*** The Foundation promotes the advancement of current and future accounting education and supports those who seek and deliver that education.

***We strive to create accessibility:*** The Foundation strives to reduce and eliminate barriers to accounting education for those who choose to pursue it.

***We are collaborative:*** The Foundation places a high value on the benefits of working together with our stakeholders and partners in enhancing accounting education.

- **2016 Board Governance Case Competition**

The 2016 Board Governance Case Competition was held in March 2016 and invited teams representing post-secondary institutions from all over Alberta to compete and solve a business case on board governance and ethics. The Foundation sponsored this event and provided prizes for first, second, and third place teams.

# Management's Discussion & Analysis June 23, 2016

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## Outlook for 2016/17

The coming fiscal year is projected to be one of tremendous activity for the Foundation. It will be the Foundation's first full year operating under the unified CPA profession, and the Board and management have a far-reaching plan to maximize the impacts of the Foundation. Below are some of the highlights from the Foundation's 2016/17 business plan.

- **Indigenous Albertans Outreach Initiative**

This new collaborative initiative is aimed at connecting with Indigenous communities and providing information and support to Indigenous peoples in Alberta interested in pursuing careers in business and accounting. Under the initiative, the Foundation will commit more than \$300,000 over two years to projects aimed at achieving the goal of improving access to this career choice.

Broadly, a three-pronged approach has been planned for this two-year project. They will focus on:

- Providing grants to Indigenous centres at Alberta post-secondary institutions to help deliver services for Indigenous students in business and accounting programs;
- Partnering with a provincial association that supports Indigenous Albertans seeking educational or employment opportunities in accounting or related business fields; and
- Offering scholarships and awards to Indigenous Albertans enrolled in recognized business degree programs at Alberta post-secondary institutions.

- **Faculty Recruitment and Retention Grant**

The Faculty Recruitment and Retention Grant is a new funding program for 2016/17 that provides grants to post-secondary Schools of Business to help them recruit and retain accounting faculty. Because many post-secondary leaders informed the Foundation that finding and keeping accounting educators remains an ongoing challenge, the Foundation hopes to assist with this challenge by awarding these grants.

Areas of funding that will be considered include, but are not limited to: financial support for graduate accounting students (at the doctoral level) who also have teaching duties at a post-secondary institution in Alberta; recruitment programs to hire new accounting instructors, whether full-time, part-time or sessional; one-time expenses for new faculty members, such as moving costs; and hiring teaching assistants to help accounting instructors with their work loads.

This program replaces the Foundation's PhD Support Program. The PhD Support Program, which provided forgivable loans to qualified PhD candidates in Accounting, is being phased out over the next three years.

- **New Research Funding Model**

A new program will be implemented to support research in Alberta. Research grants will go towards individuals pursuing research projects in the accounting field. A committee will be struck to determine the parameters of this fund, including criteria for selection, deadlines, eligibility, and how projects will be adjudicated.

## Management's Discussion & Analysis June 23, 2016

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- **Donor Recognition Events**

As part of the Foundation's initiative of reaching out to new, existing, and potential donors of the CPA Education Foundation, the Foundation will host two Donor Recognition Events in 2016 in Calgary and Edmonton respectively. These events will be a part of CPA Alberta's 2016 Elevate Week and, like last year, will invite donors, supporters and Board members of the CPA Education Foundation, members of the post-secondary community, and scholarship recipients to meet each other and learn more about the Foundation.

- **Conference for Academics – A New Format**

After careful consideration of the attendance of and feedback from previous years' attendees, the Foundation will change the format of the 2016 Conference for Academics. This new format will strive to meet the attendees' desire for more networking opportunities and to retain consistent attendance numbers throughout the entire conference.

### **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 CPA Alberta member contributions, investment income and donations to fund its programs. The impact of discontinued support would have a significant effect on the operations of the Foundation. Management works to mitigate this risk with effective communications and donor stewardship. The investment income is dependent on the capital markets. The Foundation 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.

- **Human Resources**

The Foundation relies on the services of volunteers and CPA Alberta 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 Auditor's Report

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To the Board of Governors of the CPA Education Foundation:

## Report on the Financial Statements

We have audited the accompanying financial statements of the CPA Education Foundation, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and 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 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.

## Auditor's 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 in our audit 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 CPA Education Foundation as at March 31, 2016 and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

*Donnelly & Co. LLP*  
Donnelly & Co. LLP  
Chartered Accountants  
Edmonton, AB  
June 23, 2016

# Management's Responsibility for Financial Reporting

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The accompanying financial statements of the CPA Education Foundation (“the Foundation”) 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.

The Foundation 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 Foundation’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 and a non-Board member, 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 auditor 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 auditor’s report. The Committee also recommends the engagement of the external auditor, which is reviewed and approved by the Board.

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

Rachel Miller, FCPA, FCA  
Executive Director  
CPA Education Foundation

Min Yao, CPA, CMA  
Director of Finance and Administration  
CPA Alberta

June 23, 2016

# CPA Education Foundation

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## Statement of Financial Position

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	<u>March 31, 2016</u>	<u>March 31, 2015</u>
<b>Assets</b>		
Cash and cash equivalents (note 5)	\$ 2,894,339	\$ 1,286,855
Accounts receivable (note 6)	26,986	6,861
PhD loan receivable	27,771	26,003
Investments (note 7)	1,654,797	1,811,837
Prepaid expenses	2,363	-
	<b>4,606,256</b>	<b>3,131,556</b>
PhD loan receivable – long term	29,415	65,751
	<b>\$ 4,635,671</b>	<b>\$ 3,197,307</b>
<b>Liabilities</b>		
Accounts payable (note 6)	\$ 210,967	\$ 36,627
<b>Net Assets</b> (note 8 and Schedules I and II)		
Restricted externally for endowment purposes	2,575,410	1,649,237
Restricted externally for other purposes	498,342	492,807
Unrestricted	1,350,952	1,018,636
	<b>4,424,704</b>	<b>3,160,680</b>
	<b>\$ 4,635,671</b>	<b>\$ 3,197,307</b>

Approved on behalf of the Board of Governors

Joanne Belliveau CPA, CA, CGA  
Chair

John Pinsent FCPA, FCA  
Secretary Treasurer

# CPA Education Foundation

## Statement of Operations and Changes in Net Assets For the year ended March 31

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Contributions:		
Member fees (note 6)	\$ 1,391,677	\$ 680,265
For capital or endowments (note 6, Schedule II)	1,002,000	53,030
For restricted funds (Schedule II)	40,624	9,060
Program donations (Schedule II)	53,200	46,718
Investment income:		
Interest and dividends	62,615	82,839
Realized gain (loss) on investments	(99,423)	12,331
Unrealized gain (loss) on investments	(64,149)	(44,324)
Other income (PhD loan repayment)	3,823	100,798
	<u>2,390,367</u>	<u>940,717</u>
<b>Expenditures</b> (Schedule II)		
Grants for post-secondary institutions:		
For operations	441,091	238,000
For capital or endowments (Schedule II)	30,250	-
PhD student support	105,000	100,000
Student awards and support (note 8)	92,500	74,500
Legacy scholarships	22,000	22,000
Teaching prizes	27,000	25,500
Other program expenditures	142,387	179,587
Governance Case Competition	130,822	-
Operating expenses (Schedule III)	135,293	131,071
	<u>1,126,343</u>	<u>770,658</u>
<b>Excess of revenues over expenditures</b>	1,264,024	170,059
<b>Net assets, beginning of year</b>	3,160,680	2,990,621
<b>Net assets, end of year</b>	<u>\$ 4,424,704</u>	<u>\$ 3,160,680</u>

# CPA Education Foundation

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## Statement of Cash Flows For the year ended March 31

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	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
<b>General Fund</b>		
Contributions received	\$ 1,416,200	\$ 827,782
Investment income received	22,929	18,380
	1,439,129	846,162
Expenditures and grants paid	(871,359)	(796,556)
	567,770	49,606
<b>Flow Through Fund</b>		
Contributions received	32,500	-
Expenditures and grants paid	(34,000)	-
	(1,500)	-
<b>Restricted Fund</b>		
Contributions received	1,042,624	55,030
Investment income received	27,386	30,545
	1,070,010	85,575
Expenditures and grants paid	(55,500)	(68,500)
	1,014,510	17,075
Cash from operations	1,580,780	66,681
<b>Investing Activities</b>		
Purchase of investments	(969,993)	(2,503,765)
Sale of investments	996,697	2,908,834
Cash used from investing	26,704	405,069
<b>Increase in cash and cash equivalents</b>	<b>1,607,484</b>	<b>471,750</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,286,855</b>	<b>815,105</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,894,339</b>	<b>\$ 1,286,855</b>

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

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### 1. Nature of the Organization

The CPA Education Foundation (“the Foundation”) was established in 1982 and is incorporated under the *Societies Act of Alberta*. On April 10, 2015, the Foundation changed its name from Chartered Accountants’ Education Foundation. The Foundation is overseen by a Board of Governors and its mission is to positively impact accounting education opportunities and those who inspire and develop future Alberta CPAs.

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

On July 1, 2015, the Institute of Chartered Accountants of Alberta, the Certified General Accountants’ Association of Alberta and the Society of Management Accountants of Alberta amalgamated to form Chartered Professional Accountants of Alberta (“CPA Alberta”).

### 2. Foundation Funds

#### **Unrestricted Fund**

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

#### **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.

#### **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 (“Part III”) of the CPA Canada Handbook - Accounting. Significant accounting policies are described below:

#### **a) Donated Services**

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

#### **b) Revenue Recognition**

The Foundation 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;

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

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- (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;
- (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; and
- (iv) Interest and investment income is recognized when earned in the current period.

### **c) Cash and cash equivalents**

Cash and cash equivalents include cash balances and cash held in an investment account.

### **d) 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 post-secondary institutions 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.

### **e) Financial Instruments**

Investments are recorded at fair value. Related party transactions and balances are measured at carrying or exchange value. Investment income includes interest and dividend 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 investment was purchased or the last reported fair value. As a result, the gains and losses from investments, whether realized or unrealized, reflect 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 cash equivalents, accounts receivable and loan receivable.

Financial liabilities measured at amortized cost includes accounts payable.

### **f) Measurement Uncertainty**

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.

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

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### 4. Financial Instruments and Risk Management

Investments are carried at fair value as determined directly by reference to published price quotations in an active market. Interest rates on marketable investments vary from approximately 2.0% to 2.5% per annum. (In 2015, the annual interest rate on marketable investments ranged from 2.0% to 5.0% per annum).

#### Credit Risk

The accounts receivable and PhD loan receivable are subject to credit risk.

#### Interest Rate Risk

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

#### Foreign Exchange Risk

The investments of the Foundation are subject to foreign exchange risk because foreign exchange fluctuations impact the value of the investment in US and global markets.

#### Liquidity Risk

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

#### Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows 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. The Foundation is exposed to other price risks through its investment in quoted shares.

The Foundation manages its credit, interest rate, liquidity and other price risks by investing in a diverse range of government and corporate fixed income securities, and equities in a diverse range of industries, as prescribed by the Investment Policy approved by the Board of Governors. As it is the Foundation's expectation to hold its investments to maturity, its cash flows are exposed to minimal price and liquidity risk.

### 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

<b>Description</b>	<b>2016</b>	<b>2015</b>
Cash held in bank	\$ 1,795,604	\$ 242,019
Cash held in high interest savings account	402,653	-
Cash held in investments – cash	339,149	148,254
Cash held in investment – high interest investments - Canadian	234,953	893,632
Cash held in investment – high interest investments - US	121,980	2,950
Total Cash and cash equivalents	<u>\$ 2,894,339</u>	<u>\$ 1,286,855</u>

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

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Included in the above cash held in bank is \$1 million received in March 2016 from CPA Alberta to be transferred to the investment portfolio. Annual interest rates on cash and cash equivalents range from 0.45% to 1.3% (2015 – 0.45% to 1.25%).

### 6. Chartered Professional Accountants of Alberta (“CPA Alberta”)

The CPA Alberta Board appointed two of its members to serve on the Foundation nominating committee, which recommends member appointments to the Board of Governors of the Foundation.

The CPA Alberta Board also established the level of contributions to the Foundation by way of a component of the annual fees assessed to legacy ICAA, CGA, and CMA members. For 2016, CA legacy members paid \$75 (2015 – \$75) for every resident member and \$25 (2015 - \$25) for every non-resident member, and CGA and CMA legacy members paid \$50 (2015 - \$0) for every full-paying member and proportionately reduced amounts (2015 - \$0) for members who are paying a reduced fee. The total amount for 2016 was \$1,391,677 (2015 – \$680,265). CPA Alberta also contributed \$1,000,000 (2015 - \$0) to the Foundation to establish an endowment fund. In addition, certain staff devoted time to Foundation affairs for which no charges are incurred.

The Foundation paid \$236,720 (2015 – \$237,665) to CPA Alberta for costs incurred on behalf of the Foundation.

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 CPA Alberta at March 31, 2016 total \$45,609 (2015 - \$15,060) and are included in accounts payable. Amounts due from CPA Alberta at March 31, 2016 total \$2,769 (March 31, 2015 - \$558), and are included in accounts receivable.

### 7. Investments

The fair value of Foundation’s investment portfolio consists of:

	<b>March 31 2016</b>		<b>March 31 2015</b>	
Fixed income securities	\$ 718,268	43%	\$ 849,641	47%
Equities: Canadian	516,794	31%	571,893	32%
US	369,471	23%	390,303	21%
Global securities	50,264	3%	-	-
	<b>\$1,654,797</b>	<b>100%</b>	<b>\$1,811,837</b>	<b>100%</b>
Cost	\$1,717,231		\$1,804,379	

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

The investment policy is set by the Board of Governors and its main objective is the preservation of capital. The changes of investments during the year are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Opening balance	\$ 1,811,837	\$ 2,185,616
Purchases	969,993	2,503,765
Settlements	(996,697)	(2,908,834)
Re-invested investment income	30,814	56,223
Donation - in-kind	2,422	7,060
Unrealized loss	(64,149)	(44,324)
Realized gain (loss)	(99,423)	12,331
<b>Ending balance</b>	<b>\$ 1,654,797</b>	<b>\$ 1,811,837</b>

### 8. Restricted Net Assets

The Foundation 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 Foundation funds and the net investment income is allocated, proportionate to net assets:

<b>Fund</b>	<b>Schedule I</b>	<b>Year Established</b>
<b>Restricted externally for endowment purposes</b>		
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 Graduate Scholarship	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
Gordon Woodman FCA and Peter Kruczko CA Fund	Woodman / Kruczko	2014
CPA Alberta Scholarship Fund	CPA Alberta	2016

# CPA Education Foundation

## Notes to Financial Statements for the year ended March 31, 2016

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### Restricted externally for other purposes

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 Fund	Ross	2004
McClement Fund	McClement	2006
Jack Baker FCA Fund	Baker	2006
Ken Kouri FCA and Jennifer Kouri Fund	Kouri	2008
Morgan Fund	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 Leona Biggs Fund	Biggs	2012
David Inhaber Fund	Inhaber	2015
Graduate Business Scholarship	Graduate Business	2015

## Schedule I: Restricted Net Assets as at March 31, 2016

	Net Assets Beginning	Contributions	Investment Income (Loss)*	Expenditures	Excess (deficiency) of Revenue Over Expenditure	Net Assets Ending
<b>Restricted externally for endowment purposes</b>						
Christenson	\$ 76,330	\$ -	\$ (2,150)	\$ (2,500)	\$ (4,650)	\$ 71,680
Connelly	56,475	-	(1,586)	(2,000)	(3,586)	52,889
Cormier	79,097	-	(2,332)	-	(2,332)	76,765
CPA Alberta Scholarship	-	1,000,000	6,023	-	1,006,023	1,006,023
Easton	75,843	300	(2,135)	(2,500)	(4,335)	71,508
Glover	310,158	-	(9,031)	-	(9,031)	301,127
Hagerman	35,341	-	(1,005)	(750)	(1,755)	33,586
Haskayne	129,843	500	(3,732)	(1,000)	(4,232)	125,611
KBH	40,532	-	(1,180)	-	(1,180)	39,352
Milavsky	60,400	-	(1,697)	(2,500)	(4,197)	56,203
Miller	65,227	-	(1,820)	(2,500)	(4,320)	60,907
Nicoli-Griffiths	28,114	-	(790)	(1,000)	(1,790)	26,324
Parry	19,865	-	(572)	(1,000)	(1,572)	18,293
Rasmussen	23,438	-	(682)	-	(682)	22,756
Schaefer Mt. Royal	85,030	-	(2,471)	(3,500)	(5,971)	79,059
Sharpe	45,391	-	(1,234)	(3,000)	(4,234)	41,157
Swonek	74,995	1,200	(2,234)	(2,000)	(3,034)	71,961
Tupper	31,614	-	(920)	-	(920)	30,694
Valentine	89,030	-	(2,520)	(2,500)	(5,020)	84,010
Waller	105,559	-	(2,964)	(3,750)	(6,714)	98,845
Winspear	167,216	-	(4,847)	(4,000)	(8,847)	158,369
Woodman / Kruczko	49,739	-	(1,448)	-	(1,448)	48,291
	\$ 1,649,237	\$ 1,002,000	\$ (41,327)	\$ (34,500)	\$ 926,173	\$ 2,575,410
<b>Restricted externally for other purposes</b>						
ARF	\$ 19,716	\$ 5,000	\$ (720)	\$ -	\$ 4,280	\$ 23,996
Baker	5,587	-	(163)	-	(163)	5,424
Biggs	29,579	2,422	(847)	-	1,575	31,154
Card	10,696	-	(264)	(1,500)	(1,764)	8,932
Collins	31,791	-	(926)	-	(926)	30,865
Graduate Business	-	20,000	124	(2,500)	17,624	17,624
Inhaber	-	10,602	(258)	-	10,344	10,344
Kouri	18,433	-	(514)	(1,500)	(2,014)	16,419
Lissey	35,393	2,000	(1,018)	-	982	36,375
McClement	18,983	-	(553)	-	(553)	18,430
Morgan	240,112	-	(6,700)	(10,000)	(16,700)	223,412
Ross	3,590	-	(75)	(1,000)	(1,075)	2,515
Schaefer	48,846	600	(1,362)	(2,500)	(3,262)	45,584
Wilson	30,081	-	(813)	(2,000)	(2,813)	27,268
	\$ 492,807	\$ 40,624	\$ (14,089)	\$ (21,000)	\$ 5,535	\$ 498,342
<b>2016 Total</b>	<b>\$ 2,142,044</b>	<b>\$ 1,042,624</b>	<b>\$ (55,416)</b>	<b>\$ (55,500)</b>	<b>\$ 931,708</b>	<b>\$ 3,073,752</b>
<b>2015 Total</b>	<b>\$ 2,120,174</b>	<b>\$ 62,090</b>	<b>\$ 28,280</b>	<b>\$ (68,500)</b>	<b>\$ 21,870</b>	<b>\$ 2,142,044</b>

\*Net of fair value adjustment

## Schedule II: Operations & Changes in Net Assets

	Unrestricted		Restricted - Endowment (Schedule I)		Restricted - Other (Schedule I)		Total 2016	Total 2015
	2016	2015	2016	2015	2016	2015		
<b>Revenues</b>								
Contributions								
CPAA members fees	\$ 1,391,677	\$ 680,265	\$ -	\$ -	\$ -	\$ -	\$1,391,677	\$ 680,265
For endowments or restricted	-	-	1,002,000	53,030	40,624	9,060	1,042,624	62,090
Program donations	53,200	46,718	-	-	-	-	53,200	46,718
Investment income (loss)	(45,541)	22,566	(41,327)	21,715	(14,089)	6,565	(100,957)	50,846
Other income	3,823	100,798	-	-	-	-	3,823	100,798
	1,403,159	850,347	960,673	74,745	26,535	15,625	2,390,367	940,717
<b>Expenditures</b>								
Grants for post-secondary institutions:								
For operations								
Athabasca University	66,500	30,000					66,500	30,000
SAIT	15,000	14,900					15,000	14,900
NAIT	40,900	15,000					40,900	15,000
MacEwan University	36,131	15,000					36,131	15,000
Mount Royal University	36,300	17,600					36,300	17,600
University of Alberta	100,000	50,000					100,000	50,000
University of Calgary	100,000	50,000					100,000	50,000
University of Lethbridge	46,000	45,500					46,000	45,500
Lakeland College	260	-					260	-
For capital or endowments at post-secondary institutes	30,250	-					30,250	-
Legacy Scholarships	22,000	22,000					22,000	22,000
Forgivable loans for PhD students	105,000	100,000					105,000	100,000
Teaching prizes	27,000	25,500					27,000	25,500
Student awards & support	37,000	6,000	34,500	46,750	21,000	21,750	92,500	74,500
Program expenditures	142,387	179,587					142,387	179,587
Governance Case Competition	130,822	-					130,822	-
Operating expenses (Sch III)	135,293	131,071					135,293	131,071
	1,070,843	702,158	34,500	46,750	21,000	21,750	1,126,343	770,658
<b>Excess/(deficiency) of Revenues over expenditures</b>	332,316	148,189	926,173	27,995	5,535	(6,125)	1,264,024	170,059
Net assets, beginning of year	1,018,636	870,447	1,649,237	1,621,242	492,807	498,932	3,160,680	2,990,621
<b>Net assets, end of year</b>	\$ 1,350,952	\$1,018,636	\$2,575,410	\$1,649,237	\$498,342	\$492,807	\$4,424,704	\$3,160,680

# Schedule III: Operating Expenses as at March 31

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	2016	2015
Staff services	\$ 82,498	\$ 84,302
Office and professional fees	27,829	22,887
Administration expenses	24,966	23,882
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	\$ 135,293	\$ 131,071

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## Appendix: 2015/16 Board of Governors (as at March 31, 2016)

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**Joanne Belliveau CPA, CA, CGA, Chair**

NAIT

*Edmonton*

**W. Doug Wylie FCPA, FCMA, Vice-Chair**

Office of the Auditor General of Alberta

*Edmonton*

**John Pinsent FCPA, FCA, Secretary Treasurer**

St. Arnaud Pinsent Steman Chartered Professional Accountants

*Edmonton*

**Theresa Acchione CPA, CA**

Shell Canada

*Calgary*

**Dave Bodnarchuk FCPA, FCA**

RightLabs Inc.

*Edmonton*

**Michael Burnyeat CPA, CA**

Wayfinder Corp.

*Calgary*

**Lara Gaede FCPA, FCA**

Alberta Securities Commission

*Calgary*

**Joe Gagliardi FCPA, FCMA**

Recruitment Partners

*Edmonton*

**Kabir Lalani FCPA, FCGA**

Oakside Partners Inc./Nuvista Investments Ltd.

*Calgary*

**Bruce Picton CPA, CA**

Crowe Mackay LLP

*Edmonton*