

CPA Education Foundation
ANNUAL REPORT 2017



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Message from the Chair

Looking back over 2016/17, there is no doubt in my mind that it was a remarkable year for the CPA Education Foundation. As Chair, I had many opportunities to see the impact of the Foundation's work in enhancing the quality of, and access to, accounting education in Alberta. With the expanded scope and reach of the Foundation that came about following unification of the accounting profession, we were able to introduce many new initiatives, resources and ideas that we believe brought positive results to our many stakeholders.

Certainly, a highlight of the year was the introduction of the Foundation's No Limits initiative. Widely supported by Alberta CPAs, this two-year project to enhance access to accounting education for Indigenous Albertans got off to a great start in 2016/17. Digging into this initiative has very much been a learning experience for all of us at the Foundation, and is certainly one of the most engaging and important activities the Foundation has ever undertaken.

Reaching business students and other prospective CPAs was another key priority for the Foundation in 2016/17. As you'll read in the pages that follow, we partnered with CPA Alberta to host a number of fun and valuable events that brought together prospective CPAs with designated CPAs for networking and mentoring. As well, the Foundation provided significant financial support to post-secondary business faculties across Alberta in order to help advance accounting education and strengthen awareness of the CPA designation among students and faculty.

With my term as Foundation Chair winding down in 2017/18, I want to take this opportunity to extend my deepest thanks to the remarkable professionals who have been my Board colleagues during my eight years serving with the Foundation. I have been consistently impressed with the skill and dedication these volunteers from across the profession have brought to their work on the Board. In particular, I acknowledge with thanks the members of the 2016/17 Board, including Lara Gaede FCPA, FCA, whose Board term expired over the course of 2016/17.

Respectfully submitted,

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

Mission, Vision and Values

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.

Management's Discussion & Analysis, June 8, 2017

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, 2017, 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, 2017 and March 31, 2016, 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 8, 2017, 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.9) in this MD&A.

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 2016/17 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, 2017, the Foundation had cash and investments totaling approximately \$4,980,000 (2016 - \$4,550,000). Investments are presented at fair value. The Foundation's investments are a diverse portfolio of fixed income, Canadian, US and global 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, 2017, totaled \$4,934,000 (2016 - \$4,425,000), comprising: \$3,228,000 (2016 - \$3,074,000) externally restricted by the contributors, and \$1,706,000 (2016 - \$1,351,000) in unrestricted net assets.

Management's Discussion & Analysis, June 8, 2017

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 2016/17

2016/17 was a year of growth and new directions for the Foundation. The Foundation took on several new activities and projects, all of which connected to the mandate and vision of the Foundation. Below are some activity highlights from the year.

- **The No Limits Initiative Launched**

This new, two-year initiative is one of the biggest endeavours ever undertaken by the Foundation. It 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 is committing more than \$300,000 over two years to projects aimed at achieving the goal of improving access to this career choice for Indigenous Albertans.

In the first year of the program, the Foundation:

- Signed a partnership agreement with the Aboriginal Financial Officers Association of Alberta to collaborate on creating opportunities for Indigenous Albertans to study business at the post-secondary level, and to learn more about careers in accounting;
- Successfully concluded the first phase of a fund-raising campaign for the No Limits initiative. In this campaign, Alberta CPAs and other supporters generously donated over \$91,000 in support of the goals of No Limits.
- Established the Alex Tutschek Awards for Indigenous Student Post-Secondary Achievement. Made possible by a generous donation from Alex Tutschek FCPA, FCA, five of these scholarships will be awarded each year to deserving Indigenous Albertans, beginning in 2017/18.
- Received a substantial contribution from Crowe MacKay LLP. This donation will be used for a new Indigenous student award to be introduced in 2017/18.

- **First Faculty Recruitment and Retention Grants Issued**

The Faculty Recruitment and Retention Grant Program is a new funding initiative for 2016/17 that provides grants to post-secondary schools of business to help them recruit and retain accounting faculty. In 2016/17, a total of \$293,000 was provided to post-secondary business faculties under this new grant program.

Areas of funding that are considered under this program 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

Management's Discussion & Analysis, June 8, 2017

moving costs; and hiring teaching assistants to help accounting instructors with their work loads.

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

- **First Grants Awarded Under New Research Funding Model**

In 2016/17, the CPA Education Foundation distributed \$40,080 in funding to accounting research projects at MacEwan University's School of Business and the University of Calgary's Haskayne School of Business. These grants were funded by the Foundation's Research Grant Program, which is supported by generous donors to the Foundation.

Decisions on research grants are made by the Foundation based on recommendations of a Research Grant Panel, formed in 2016/17 and comprising Foundation Board members, academics and volunteer CPAs. The panel reviewed a number of research grant applications and made recommendations based on their evaluations of the applications.

- **Conference for Academics Held in May**

The Foundation's 7th annual Conference for Academics was held in Red Deer in May 2016. The conference, built around the theme of "Fostering Student Learning Excellence", had over 115 delegates in attendance. With a new format and new opportunities for accounting educators to network and learn from each other, the conference was considered to be one of the best ever. At the conference, the 2015/16 Foundation teaching awards were presented to distinguished accounting educators from Alberta and Saskatchewan.

- **New Awards and Funds Established**

The Foundation was pleased to establish several new award or fund programs in 2016/17. Thanks to a generous donation from Joe Gagliardi FCPA, FCMA and Franca Gagliardi, five new scholarships were awarded to NAIT business students and educators.

The CPA Education Foundation donated \$5,000 to the Recovery Award Program at Keyano College in Fort McMurray. The donation was made to provide support to a Keyano College student (or students) who demonstrated community engagement in relation to recovery efforts in the aftermath of the 2016 wildfire in the Fort McMurray region.

Small Practitioners Forums Inc. of Calgary established an endowment to support post-secondary students intending to pursue the CPA designation.

As mentioned earlier, donations from Alex Tutschek FCPA, FCA and Crowe MacKay LLP led to the establishment of six new awards for Indigenous Albertans, which will be awarded in 2017/18.

- **Supporting Post-secondary Institutions**

The Foundation provides annual funding to post-secondary institutions to support accounting education. In 2016/17, some of the funding was awarded through the Innovations in Accounting Education Fund. Funding requests to this 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 2016/17, the Foundation provided a total of \$766,000 to post-secondary institutions. This funding came from the Innovations in Accounting Education Fund and the Faculty Recruitment and Retention Grant Program.

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- **2016 CPA Education Foundation Impact Award Recipient**

Each year the Foundation presents its Impact Award to an individual whose commitment to the work of the Foundation has been significant and positive. In 2016, the recipient of the Impact Award was Garry Cook FCPA, FCA. Mr. Cook earned the award because of his lengthy record of service to, and support for, the Foundation, service which culminated in a very productive term as Chair of the Foundation from 2009 to 2011.

- **Donors Honoured at Two Events**

The Foundation strives to honour its donors, without whom much of the work of the Foundation would not be possible. In 2016/17, some of the Foundation's most-generous supporters were honoured guests at events in Edmonton and Calgary during the CPA profession's Elevate Week in May/June. In Calgary, many donors attended a High Tea celebration at the Fairmont Palliser. At the tea, donors and Foundation representatives were joined by several students who were the beneficiaries of donor generosity through various scholarships. In Edmonton, donors were the guests of the Foundation at CPA Alberta's Achievement Awards.

- **Foundation Hosts 2017 Business Challenge**

The 2017 CPA Education Foundation Business Challenge was held in March 2017. This case competition attracted 15 teams from eight Alberta post-secondary institutions. The event was a competition featuring a real-world company presenting an actual business challenge. Twelve Alberta CPAs volunteered as judges for the competition, and the winning teams were from the University of Alberta, Mount Royal University and the University of Lethbridge.

- **Opportunities Created for Post-Secondary Students to Network with Profession**

An important part of the Foundation's mandate is to promote the CPA designation as the career path of choice for post-secondary students and other prospective accountants. In pursuit of that goal, the Foundation partnered with CPA Alberta to host several networking and information events for students across the province.

In the fourth quarter of the fiscal year, annual Bowl-a-Rama events were held in three cities. At each event, post-secondary accounting students teamed up with CPAs to compete in a fun and casual tournament. In between turns, students had the chance to network with the CPAs and learn more about the profession and how to earn the designation.

Also in the fourth quarter, the Foundation funded "Get Connected" evenings in Edmonton and Calgary. At these events, students sat in on a panel discussion featuring CPAs talking about their career paths and the benefits that come from choosing the CPA profession. After the panel discussion, students were able to mingle and network with CPAs and potential future employers.

- **New Board Members and Appointments**

The Foundation was pleased to welcome to the Board of Governors: Brian Banderk CPA, CA; Yvonne Barthel CPA, CA; and Stephen Bergstrom CPA, CMA.

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Outlook for 2017/18

In the next fiscal year, the Foundation expects to have one of its busiest and most productive years ever. On the horizon are:

- The completion of the No Limits initiative. This will include a final phase of the fundraising campaign for No Limits; achievement of some key deliverables from the partnership with the Aboriginal Financial Officers Association of Alberta; and a project (or projects) with post-secondary Indigenous Student Resource Centres to help connect Indigenous post-secondary students with the CPA profession. As well, more new scholarships and awards for Indigenous Albertans are expected to be established in 2017/18.
- Continued hosting of the annual Conference for Academics. In 2017/18, the Foundation will continue to plan the conference in accordance with the ideas and feedback received from Alberta accounting educators. Plans are underway to have Foundation research grant recipients present at future conferences on their research.
- Enhancement of donor recognition programs. With the expected completion of the No Limits fundraising initiative, the Foundation will introduce ways to appropriately recognize and honour donors to the initiative, as well as the many other supporters of the Foundation.
- Continued evolution of student engagement activities. The Foundation will continue to hone and strengthen its many activities to connect with post-secondary students and introduce them to the CPA profession.
- Continue to fund innovations in accounting education. The Foundation will continue to work with its post-secondary partners to support and fund important research, learning tools, and curriculum enhancement projects.
- Awarding of the first KPMG Jim Walker Memorial Fund scholarship. The KPMG Jim Walker Memorial Fund is being created in honour of the late Jim Walker CPA, CA. Launching in 2017/18, the fund will support an annual \$2,000 scholarship for a Master of Accounting student at the University of Alberta's School of Business.

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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

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, 2017, 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, 2017 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
Chartered Accountants
Edmonton, AB
Date: June 8, 2017

Management's Responsibility for Financial Reporting

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
CPA Education Foundation

June 8, 2017

CPA Education Foundation

Statement of Financial Position As at March 31

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (note 5)	\$ 1,051,723	\$ 2,894,339
Accounts receivable (note 6)	11,726	26,986
PhD loan receivable	20,870	27,771
Investments (note 7)	3,927,758	1,654,797
Prepaid expenses	2,284	2,363
	5,014,361	4,606,256
PhD loan receivable – long term	-	29,415
	\$ 5,014,361	\$ 4,635,671
Liabilities		
Accounts payable (note 6)	\$ 80,431	\$ 210,967
Net Assets (note 8 and Schedules I and II)		
Restricted externally for endowment purposes	2,667,844	2,575,410
Restricted externally for other purposes	560,252	498,342
Unrestricted	1,705,834	1,350,952
	4,933,930	4,424,704
	\$ 5,014,361	\$ 4,635,671

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>2017</u>	<u>2016</u>
Revenues		
Contributions:		
Member fees (note 6)	\$ 1,643,009	\$ 1,391,677
For capital or endowments (note 6, Schedule II)	50,515	1,002,000
For restricted funds (Schedule II)	56,963	40,624
Program donations (note 2, Schedule II)	100,360	53,200
Investment income:		
Interest and dividends	73,860	62,615
Realized gain (loss) on investments	17,074	(99,423)
Unrealized gain (loss) on investments	182,288	(64,149)
Other income (PhD loan repayment)	2,039	3,823
	<u>2,126,108</u>	<u>2,390,367</u>
Expenditures (Schedule II)		
Grants for post-secondary institutions:		
For operations	765,955	441,091
For capital or endowments (Schedule II)	47,400	30,250
PhD student support	80,000	105,000
Student awards and support (note 8)	110,178	92,500
Legacy scholarships	27,000	22,000
Teaching prizes	24,918	27,000
Other program expenditures (note 6)	253,836	142,387
Aboriginal Outreach (No Limits)	81,216	-
Governance Case Competition	103,441	130,822
Operating expenses (note 6, Schedule III)	122,938	135,293
	<u>1,616,882</u>	<u>1,126,343</u>
Excess of revenues over expenditures	509,226	1,264,024
Net assets, beginning of year	4,424,704	3,160,680
Net assets, end of year	<u>\$ 4,933,930</u>	<u>\$ 4,424,704</u>

CPA Education Foundation

Statement of Cash Flows For the year ended March 31

	<u>2017</u>	<u>2016</u>
Operating Activities		
General Fund		
Contributions received	\$ 1,727,408	\$ 1,416,200
Investment income received	20,403	22,929
	1,747,811	1,439,129
Expenditures and grants paid	(1,576,497)	(871,359)
	171,314	567,770
Flow Through Fund		
Contributions received	18,000	32,500
Expenditures and grants paid	(18,000)	(34,000)
	-	(1,500)
Restricted Fund		
Contributions received	107,478	1,042,624
Investment income received	31,510	27,386
	138,988	1,070,010
Expenditures and grants paid	(125,352)	(55,500)
	13,636	1,014,510
Cash from operations	184,950	1,580,780
Investing Activities		
Purchase of investments	(2,967,494)	(969,993)
Sale of investments	939,928	996,697
Cash used for investing	(2,027,566)	26,704
(Decrease) increase in cash and cash equivalents	(1,842,616)	1,607,484
Cash and cash equivalents, beginning of year	2,894,339	1,286,855
Cash and cash equivalents, end of year	\$ 1,051,723	\$ 2,894,339

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

1. Nature of the Organization

The CPA Education Foundation (“the Foundation”) was established in 1982 and is incorporated under the *Societies Act of Alberta*. 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.

2. Foundation Funds

Unrestricted Fund

The Unrestricted 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.

Internally Restricted Fund

The Foundation has established an internally restricted fund (No Limit Fund) as part of No Limit initiative. The purpose of this fund 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. All donations received for the No Limit Fund of \$39,120 were disbursed in the year and as a result there are no net assets internally restricted at the year end.

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

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

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;
- (iii) Unrestricted 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 include cash and cash equivalents, accounts receivable and loan receivable.

Financial liabilities measured at amortized cost include accounts payable.

f) Impairment of financial assets

The Foundation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired at the end of each reporting period. When significant adverse changes are determined to exist, being a change in the expected timing or amount of future cash flows, an impairment is recorded by the Foundation as a reduction to the carrying value of the asset to the highest of the following:

- (i) The present value of the expected cash flows discounted using a current market rate of interest appropriate to the asset; and

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

- (ii) The amount the Foundation expects to realize by selling the asset at the statement of financial position date.

Any impairment to the financial asset is charged to income in the period in which the impairment is determined. Previously recognized impairments are reversed to the extent of an improvement in value.

g) 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.

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 1.8% to 3.0% per annum. (In 2016, the annual interest rate on marketable investments ranged from 2.0% to 2.5% per annum).

Credit Risk

Credit risk relates to cash, accounts receivable and PhD loan receivable. CPA Education Foundation's cash balances are held with reputable Canadian financial institutions. Accounts receivable are primarily from CPA Alberta. PhD loan receivable will be fully recovered in fiscal 2017-18. Management believes the Foundation's exposure to credit risk is not significant.

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. Cash held in the bank has cash flow risk due to market interest rates.

Foreign Exchange Risk

The investments of the Foundation are subject to foreign exchange risk because foreign exchange fluctuations impact the value of the investments 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

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

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:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Cash held in bank	\$ 13,654	\$ 1,795,604
Cash held in high interest savings account	762,340	402,653
Cash held in investments – cash	107,037	339,149
Cash held in investment – high interest investments - Canadian	168,692	234,953
Cash held in investment – high interest investments - US	-	121,980
Total Cash and cash equivalents	<u>\$ 1,051,723</u>	<u>\$ 2,894,339</u>

Annual interest rates on cash and cash equivalents range from 0.65% to 1.15% (2016 – 0.45% to 1.3%).

6. Related Party

a. 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 CPA members. For 2017, CPA members paid \$75 for every resident member and \$25 for every non-resident member. For 2016, CA legacy members paid \$75 for every resident member and \$25 for every non-resident member, and CGA and CMA legacy members paid \$50 for every full-paying member and proportionately reduced amounts for members who are paying a reduced fee. The total amount for 2017 was \$1,643,009 (2016 – \$1,391,677). In 2016, CPA Alberta contributed \$1,000,000 to the Foundation to establish an endowment fund. In addition, CPA Alberta contributed to the Foundation the proceeds received from the Family Day events in the amount of \$5,515 (2016 - \$0). Certain staff devoted time to Foundation affairs for which no charges are incurred.

The Foundation paid \$248,264 (2016 – \$236,720) 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, 2017 total \$37,540 (2016 - \$45,609) and are included in accounts payable. Payables have a net 30 day term and are interest free. Amounts due from CPA Alberta at March 31, 2017 total \$9,213 (March 31, 2016 - \$2,769), and are included in accounts receivable.

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

b. Alberta Chartered Professional Accountants Assistance Society ("CPA Assist")

Amounts due to CPA Assist at March 31, 2017 total \$21,401 (2016 - \$0) and are included in accounts payable. 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.

7. Investments

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

	March 31 2017		March 31 2016	
Fixed income securities	\$1,924,017	49%	\$ 718,268	43%
Equities: Canadian	725,218	18%	516,794	31%
US	275,262	7%	369,471	23%
Global securities	1,003,261	26%	50,264	3%
	\$3,927,758	100%	\$1,654,797	100%
Cost	\$3,785,965		\$1,717,231	

The investment portfolio consists of \$3,228,096 externally restricted for endowment and other purposes.

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:

	March 31, 2017	March 31, 2016
Opening balance	\$ 1,654,797	\$ 1,811,837
Purchases	2,967,494	969,993
Settlements	(939,928)	(996,697)
Re-invested investment income	43,570	30,814
Donation - in-kind	2,463	2,422
Unrealized gain (loss)	182,288	(64,149)
Realized gain (loss)	17,074	(99,423)
Ending balance	\$ 3,927,758	\$ 1,654,797

CPA Education Foundation

Notes to Financial Statements for the year ended March 31, 2017

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:

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 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
Small Practitioner Forums	Small Practitioner	2016
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
Alex Tutschek No Limits Fund	Tutschek	2016
Crowe MacKay Fund	MacKay	2017

Schedule I: Restricted Net Assets for the year ended March 31, 2017

	Net Assets Beginning	Contributions	Investment Income (Loss)*	Expenditures	Excess (deficiency) of Revenue Over Expenditure	Net Assets Ending
Restricted externally for endowment purposes						
Christenson	\$ 71,680	\$ -	\$ 3,908	\$ (2,500)	\$ 1,408	\$ 73,088
Connelly	52,889	-	2,842	(2,000)	842	53,731
Cormier	77,765	-	4,305	(1,000)	3,305	81,070
CPA Alberta	1,006,023	-	56,174	-	56,174	1,062,197
Easton	71,508	265	3,851	(4,500)	(384)	71,124
Glover	301,127	-	16,669	(40,080)	(23,411)	277,716
Hagerman	33,586	-	1,783	(1,750)	33	33,619
Haskayne	124,611	-	6,864	(2,000)	4,864	129,475
KBH	39,352	-	2,163	(3,000)	(837)	38,515
Milavsky	56,203	-	3,010	(2,500)	510	56,713
Miller	60,907	250	3,262	(2,500)	1,012	61,919
Nicoli-Griffiths	26,324	-	1,432	(1,000)	432	26,756
Parry	18,293	-	985	(1,000)	(15)	18,278
Rasmussen	22,756	-	1,264	(1,000)	264	23,020
Schaefer Mt. Royal	79,059	-	4,374	(3,500)	874	79,933
Sharpe	41,157	-	2,185	(3,000)	(815)	40,342
Small Practitioner	-	50,000	2,455	-	52,455	52,455
Swonek	71,961	-	3,943	(2,000)	1,943	73,904
Tupper	30,694	-	1,710	(1,000)	710	31,404
Valentine	84,010	-	4,551	(2,500)	2,051	86,061
Waller	98,845	-	5,310	(3,750)	1,560	100,405
Winspear	158,369	-	8,146	(19,272)	(11,126)	147,243
Woodman / Kruczko	48,291	-	2,585	(2,000)	585	48,876
	2,575,410	50,515	143,771	(101,852)	92,434	2,667,844
Restricted externally for other purposes						
ARF	23,996	-	1,340	-	1,340	25,336
Baker	5,424	-	303	-	303	5,727
Biggs	31,154	2,463	1,710	(2,000)	2,173	33,327
Card	8,932	-	499	-	499	9,431
Collins	30,865	-	1,723	-	1,723	32,588
Graduate Business	17,624	-	984	-	984	18,608
Inhaber	10,344	-	572	(500)	72	10,416
Kouri	16,419	-	850	(1,500)	(650)	15,769
Lissey	36,375	2,000	1,997	(4,000)	(3)	36,372
MacKay	-	15,000	-	-	15,000	15,000
McClement	18,430	-	1,029	-	1,029	19,459
Morgan	223,412	-	12,098	(10,000)	2,098	225,510
Ross	2,515	-	85	(1,000)	(915)	1,600
Schaefer	45,584	-	2,451	(2,500)	(49)	45,535
Tutschek	-	37,500	1,395	-	38,895	38,895
Wilson	27,268	-	1,411	(2,000)	(589)	26,679
	498,342	56,963	28,447	(23,500)	61,910	560,252
2017 Total	\$ 3,073,752	\$ 92,478	\$ 172,218	\$ (125,352)	\$ 139,344	\$ 3,228,096
2016 Total	\$ 2,142,044	\$ 1,042,624	\$ (55,416)	\$ (55,500)	\$ 931,708	\$ 3,073,752

*Net of fair value adjustment

Schedule II: Operations & Changes in Net Assets for the year ended March 31

	Unrestricted		Restricted - Endowment (Schedule I)		Restricted - Other (Schedule I)		Total	Total
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues								
Contributions								
CPAA members fees	\$ 1,643,009	\$ 1,391,677	\$ -	\$ -	\$ -	\$ -	\$1,643,009	\$1,391,677
For capital or endowments	-	-	50,515	1,002,000	-	-	50,515	1,002,000
For restricted	-	-	-	-	56,963	40,624	56,963	40,624
Program donations	100,360	53,200	-	-	-	-	100,360	53,200
Investment income (loss)	101,004	(45,541)	143,771	(41,327)	28,447	(14,089)	273,222	(100,957)
Other income	2,039	3,823	-	-	-	-	2,039	3,823
	1,846,412	1,403,159	194,286	960,673	85,410	26,535	2,126,108	2,390,367
Expenditures								
Grants for post-secondary institutions:								
For operations	765,955	441,091	-	-	-	-	765,955	441,091
For capital or endowments at post-secondary institutes	47,400	30,250	-	-	-	-	47,400	30,250
Legacy Scholarships	27,000	22,000	-	-	-	-	27,000	22,000
Forgivable loans for PhD students	80,000	105,000	-	-	-	-	80,000	105,000
Teaching prizes	24,918	27,000	-	-	-	-	24,918	27,000
Student awards & support	24,906	37,000	61,772	34,500	23,500	21,000	110,178	92,500
Program expenditures	213,756	142,387	40,080	-	-	-	253,836	142,387
Aboriginal Outreach (No Limits)	81,216	-	-	-	-	-	81,216	-
Governance Case Competition	103,441	130,822	-	-	-	-	103,441	130,822
Operating expenses (Sch III)	122,938	135,293	-	-	-	-	122,938	135,293
	1,491,530	1,070,843	101,852	34,500	23,500	21,000	1,616,882	1,126,343
Excess of revenues over expenditures	354,882	332,316	92,434	926,173	61,910	5,535	509,226	1,264,024
Net assets, beginning of year	1,350,952	1,018,636	2,575,410	1,649,237	498,342	492,807	4,424,704	3,160,680
Net assets, end of year	\$ 1,705,834	\$ 1,350,952	\$2,667,844	\$2,575,410	\$ 560,252	\$ 498,342	\$4,933,930	\$4,424,704

Schedule III: Operating Expenses as at March 31

	2017	2016
Staff services	\$ 83,400	\$ 82,498
Administration expenses	25,155	24,966
Office and professional fees	14,383	27,829
	<hr/>	<hr/>
	\$ 122,938	\$ 135,293

Appendix: 2016/17 Board of Governors (as at March 31, 2017)

Joanne Belliveau CPA, CA, CGA, *Chair*

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

John Pinsent FCPA, FCA, *Secretary Treasurer*

Theresa Acchione CPA, CA

Brian Banderk CPA, CA

Yvonne Barthel CPA, CA

Stephen Bergstrom CPA, CMA

Dave Bodnarchuk FCPA, FCA

Michael Burnyeat CPA, CA

Joe Gagliardi FCPA, FCMA

Kabir Lalani FCPA, FCGA

Bruce Picton CPA, CA