

FOUNDATION OF QUEBEC CHARTERED PROFESSIONAL
ACCOUNTANTS

FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

Foundation of Quebec Chartered Professional Accountants

Financial Statements March 31, 2017

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Independent Auditor's Report

To members of the Board of Directors of the
Foundation of Quebec Chartered Professional Accountants

We have audited the accompanying financial statements of the Foundation of Quebec Chartered Professional Accountants, which comprise the statement of financial position as at March 31, 2017 and 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 audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our 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 Foundation of Quebec Chartered Professional Accountants as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

 Richter LLP¹

Montréal, Québec
May 31, 2017

¹CPA auditor, CA, public accountancy permit No. A110167



Foundation of Quebec Chartered Professional Accountants

Statement of Financial Position As at March 31, 2017

	2017	2016
	\$	\$
Assets		
Current		
Cash and cash equivalents	239,013	240,036
Investments (note 3)	33,116	9,344
Accounts receivable (note 4)	13,241	22,542
Prepaid expenses	12,633	1,759
	298,003	273,681
Investments (note 3)	1,326,161	1,059,288
Intangible assets subject to amortization (note 5)	602	860
	1,624,766	1,333,829
Liabilities		
Current		
Accounts payable and accrued liabilities	5,698	11,830
Deferred revenues (note 6)	25,650	16,550
	31,348	28,380
Commitments (note 7)		
Net assets		
Unrestricted	1,593,418	1,305,449
	1,624,766	1,333,829

On behalf of the Board of Directors of the Foundation of Quebec Chartered Professional Accountants

Chair of the Board,

Secretary-Treasurer of the Foundation,



Brigitte Chartier, CPA, CA



Marie-Josée Hamel

Foundation of Quebec Chartered Professional Accountants

Statement of Changes in Net Assets For the Year Ended March 31, 2017

	2017	2016
	\$	\$
Balance – beginning of period	1,305,449	1,167,878
Excess of revenues over expenses	287,969	137,571
Balance – end of period	1,593,418	1,305,449

Foundation of Quebec Chartered Professional Accountants

Statement of Operations

For the Year Ended March 31, 2017

	2017	2016
	\$	\$
Revenues		
Individual donations	300,081	251,814
Institutional donations	1,825	24,525
Donations – Ordre des CPA du Québec (note 10)	64,266	78,500
Activity – Golf tournament	100,830	128,977
Activity – Wine draw	50,000	46,650
Activity – Trip draw	50,000	50,000
Activity – “GivingTuesday” draw	17,176	-
Miscellaneous	1,187	-
	585,365	580,466
Expenses		
Organizing costs – Golf tournament	43,786	41,852
Organizing costs – Wine draw	11,446	9,925
Organizing costs – Trip draw	12,209	12,353
Organizing costs – “GivingTuesday” draw	3,068	-
Supplies and miscellaneous	14,309	14,782
Professional fees – Investments	11,191	8,370
Professional fees	20,685	18,992
Administrative expenses	4,370	3,153
Travel expenses	273	-
Bank charges	3,480	2,919
Amortization of intangible assets	258	368
	125,075	112,714
Excess of revenues over expenses before scholarships, grants and investment income	460,290	467,752
Scholarships and grants (note 8)	(325,500)	(308,000)
Excess of revenues over expenses before investment income	134,790	159,752
Income from investments measured at amortized cost (note 9)	565	234
Income from investments measured at fair value (note 9)	152,614	(22,415)
Excess of revenues over expenses	287,969	137,571

Foundation of Quebec Chartered Professional Accountants

Statement of Cash Flows

For the Year Ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenses	287,969	137,571
Non-cash items:		
Amortization of intangible assets	258	368
Reinvested investment income	(40,083)	(33,410)
(Gain) loss on disposal of investments	(8,884)	1,053
(Unrealized gain) unrealized loss on investments	(103,647)	54,772
	135,613	160,354
Changes in non-cash operating elements of working capital	1,395	146,899
	137,008	307,253
Investing activities		
Proceeds from disposal of investments	11,969	258,953
Purchase of investments	(150,000)	(1,100,000)
	(138,031)	(841,047)
Decrease in cash and cash equivalents	(1,023)	(533,794)
Cash and cash equivalents – beginning of period	240,036	773,830
Cash and cash equivalents – end of period	239,013	240,036

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

1. Incorporation statutes and purpose of the Foundation

The Foundation of Quebec Chartered Professional Accountants (the Foundation) is a not-for-profit organization incorporated under Part III of the *Quebec Companies Act* on August 31, 2012. It is a registered charity under the *Income Tax Act*. The Foundation was the result of the merger of the Foundation of Quebec Chartered Accountants (Foundation of Quebec CAs) and the Fondation de l'Ordre des comptables en management accrédités du Québec (Fondation de l'Ordre des CMA du Québec). Its mission is to encourage the pursuit of education and to promote academic excellence in the various fields of expertise of CPAs as well as in other areas by offering scholarships or grants to students of all academic levels and to professors.

2. Significant accounting policies

The Foundation's financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting* and include the following significant accounting policies:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are reported for as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets during the period.

Revenues from the various fundraising activities of the Foundation are recognized as revenues when the activity takes place.

Investment income is recognized in the period to which it relates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and investments with an original maturity at the date of purchase of three months or less.

Intangible assets subject to amortization

The intangible assets are accounted for at cost. Amortization is calculated on their estimated useful life using the declining balance method at the annual rate of 30%.

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

2. Significant accounting policies (cont'd)

Financial instruments

Valuation

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, other than those considered as cash and cash equivalents, which were designated at fair value.

Financial assets subsequently measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Transaction costs

The Foundation's transaction costs are expensed in the period incurred. However, transactions costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using a straight-line method.

Contributed goods and services

The Foundation's operations depend in part on the contributed goods and services of the Ordre des comptables professionnels agréés du Québec ("CPA Order") as well as on voluntary services of many members.

The Foundation has elected not to recognize contributed goods and services in the financial statements.

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

3. Investments

	2017	2016
	\$	\$
Current		
Cash and cash equivalents	33,116	9,344
Long-term		
Canadian equity		
Government bonds (2.45%, maturing in 2019)	37,469	38,190
Fixed income index fund units (average life of 6.2 years)	446,817	387,757
Trust units	-	19,882
Limited partnership unit	21,027	23,445
Preferred shares	27,186	24,294
Common shares	348,154	241,458
	880,653	735,026
US and international equity		
Limited partnership unit	22,260	15,416
Common shares	185,593	153,201
Share index funds	237,655	155,645
	445,508	324,262
	1,326,161	1,059,288
	1,359,277	1,068,632

4. Accounts receivable

	2017	2016
	\$	\$
Donations receivable (note 10)	260	16,190
Sales taxes receivable	12,981	6,352
	13,241	22,542

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

5. Intangible assets subject to amortization

			2017	2016
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
			\$	\$
Software	8,803	8,201	602	860

6. Deferred revenues

	2017	2016
	\$	\$
Activity – Trip draw	25,650	16,550

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

7. Commitments

Scholarships

Ph.D. scholarships are payable in two instalments: a first instalment of \$10,000 at the time the scholarship is awarded, provided the candidates have begun their Ph.D. program, and a second instalment of \$10,000 the following year. The second instalment is subject to the candidates submitting, to the Foundation, a report on their progress in the Ph.D. program and a copy of their transcript.

Scholarships awarded under the PEP – University graduate program and the PEP – National program are payable in two instalments: a first instalment of \$1,000 when the scholarship is awarded and a second instalment of \$1,000, upon the candidate's proof of successful completion of the Common Final Examination (CFE).

Assistance for success scholarships are payable in four instalments based on completing the specific steps leading to the CPA designation, as set out in the table below:

		\$5,000 scholarships	\$10,000 scholarships
1st instalment	At the start of the core modules in the PEP	\$1,250	\$2,500
2nd instalment	At the start of the elective modules in the PEP	\$1,250	\$2,500
3rd instalment	At the start of the capstone/integrative modules in the PEP	\$1,250	\$2,500
4th instalment	During registration for the CFE	\$1,250	\$2,500

As at March 31, 2017, commitments to pay the various instalments were as follows:

	Number of scholarships	Total in \$
Ph.D scholarships (1st instalment)	2	\$20,000
Ph.D scholarships (2nd instalment)	4	\$40,000
PEP scholarships (2nd instalment)	10	\$10,000
Assistance for success scholarships (1st instalment)	5	\$10,000
Assistance for success scholarships (2nd instalment)	6	\$12,500
Assistance for success scholarships (3rd instalment)	6	\$12,500
Assistance for success scholarships (4th instalment)	6	\$12,500
Total	39	\$117,500

Letter of guarantee

The Foundation has issued two letters of guarantee in the amount of \$14,000 (2016 – \$11,000) in favour of the Régie des alcools, des courses et des jeux.

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

8. Scholarships and grants

	2017	2016
	\$	\$
	Total of scholarships and grants	Total of scholarships and grants
CEGEP scholarships	30,000	30,000
University scholarships – Undergraduate	45,000	40,500
CPA World Passport Scholarships	10,000	10,000
Assistance for success scholarships	\$2,500	-
University scholarships – Graduate	108,000	37,000
Scholarships – Awards for the top candidates	30,000	40,500
Ph.D. scholarships	80,000	120,000
Research and publication assistance	20,000	10,000
Research chair	-	20,000
	325,500	308,000

9. Investment income

	2017	2016
	\$	\$
Income from investments measured at amortized cost	565	234
Income from investments measured at fair value		
Interests	8,504	2,666
Dividend income	31,579	30,744
Gain (loss) on disposal of investments	8,884	(1,053)
Changes in fair value of investments	103,647	(54,772)
	152,614	(22,415)

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

10. Transactions with the CPA Order

The CPA Order is constituted under the *Chartered Professional Accountants Act*, which was adopted by the Quebec National Assembly on May 16, 2012 and assented to on the same date by the Lieutenant Governor. The main function of the CPA Order is to protect the public.

During the period, the CPA Order made donations to the Foundation for a total of \$64,266 (2016 – \$78,500). In addition, the CPA Order acts as an intermediary between the donors and the Foundation, mostly in regards to donations made by members when paying their annual fees. As such, an amount of \$260 (2016 – \$16,190) is included in donations receivable as at March 31, 2017. An amount of \$4,277 payable to the CPA Order is included in the accounts payable and accrued liabilities as at March 31, 2017 (as at March 31, 2016 – \$5,623) for reimbursement of administrative expenses.

The Foundation receives free administrative support and rent-free office space from the CPA Order.

11. Financial instruments

Risk management policy

The Foundation is exposed to various risks through its financial instruments. There have been no significant changes in the risk profile of the Foundation's financial instruments from prior year. The Foundation ensures an ongoing review to evaluate changes in the status of investments, in accordance with its investment policy.

The investment policy refers to two types of funds:

- short-term funds – the objective is to secure the invested capital and the liquidity of funds, which are expected to be required within a few months to a year, while ensuring the funds generate reasonable returns.
- medium and long-term funds – the objective is to maximize the portfolio's return while maintaining a moderate risk level in order to achieve capital growth for the long term through a balanced investment profile.

This policy, adopted by the Board of Directors on January 14, 2015, is reviewed periodically after biannual performance valuations held with discretionary portfolio managers. The following analysis provides a measure of the risks at the statement of financial position date.

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Notes to Financial Statements March 31, 2017

11. Financial instruments (cont'd)

Liquidity risk

Liquidity risk is the risk that the Foundation has difficulty in meeting its cash flow needs or to finance its obligations as they become due. The Foundation is exposed to liquidity risk on its accounts payable and accrued liabilities and the possible delay in realizing the fair value of its investments.

The Foundation manages its liquidity risk by continuously monitoring actual and projected cash flows and holding assets readily convertible into cash.

Market risk

The Foundation is exposed to market risk arising from fluctuations in the fair value of financial instruments due to changes in market prices. Market risks consist of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Foundation invests a portion of its portfolio in foreign equity securities and a pooled investment fund which is invested in foreign securities. As a result, the Foundation is exposed to currency risk. The Foundation does not actively manage this risk.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or of the future cash flows associated with these financial instruments will fluctuate due to changes in market interest rates.

The Foundation is exposed to interest rate risk on its fixed-interest financial instruments, which subject the Foundation to a fair value risk.

Cash and cash equivalents have minimal exposure to interest rate risk given their short-term nature. Therefore, this risk is considered insignificant.

With regard to investments in bonds and fixed income index funds, the Foundation manages the interest rate risk by limiting the portfolio weight assigned to these investments.

Foundation of Quebec Chartered Professional Accountants

Notes to Financial Statements March 31, 2017

11. Financial instruments (cont'd)

Market risk (cont'd)

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with these instruments will fluctuate due to changes in market prices other than those arising from currency risk or interest rate risk.

The Foundation is exposed to other price risk considering the composition of its long-term investments. The Foundation's investment policy limits the other price risk by diversifying its investments (asset allocation between fixed and floating rate securities according to a range) and by evaluating the portfolio's annual return.

Credit risk

Credit risk arises from the possibility of one of the parties defaulting on its financial obligations.

The Foundation is exposed to credit risk relating to its investments and accounts receivable.

The risk associated with the investments is minimized as the Foundation has an investment policy which includes several measures to mitigate this risk, notably in restricting qualifying securities to issuers with a credit rating matching the established levels for the different types of investments, and in prohibiting certain types of investments, such as derivatives and commercial papers. Credit risk associated with accounts receivable is minimized as the amounts are principally owed by the CPA Order.