

CONSOLIDATED FINANCIAL STATEMENTS 2002-2003



This insert contains CGA-Canada's consolidated financial statements for the year ended June 30, 2003. For the full annual report for 2002-2003, outlining the successes and activities of the Certified General Accountants Association of Canada, please go to our Web site at www.cga-canada.org.

Auditors' Report

To the Members of the Certified General Accountants Association of Canada

We have audited the consolidated statement of financial position of the Certified General Accountants Association of Canada as at June 30, 2003, and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Association as at June 30, 2003, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of public accountants.

[Original signed by:]

Jones, Richards & Company
Certified General Accountants
Vancouver, British Columbia
August 06, 2003

Management Responsibility for Financial Reporting

The accompanying consolidated financial statements and all other information contained in this annual report of the Certified General Accountants Association of Canada are the responsibility of its management.

These consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, include amounts that are based on management's best estimates and judgments.

Preparation of financial information is an integral part of the ongoing operation of the Association. Management has established internal control systems to ensure that the financial information is objective and reliable and that Association assets are safeguarded.

The consolidated financial statements have been audited by the independent auditors Jones, Richards & Company, Certified General Accountants, whose report outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors carries out the responsibility for the consolidated financial statements through the Association's Audit Committee, which comprises three members at large who are not members of the Executive Committee. The Audit Committee meets with management and the auditors to satisfy itself of the adequacy of internal controls and to review the consolidated financial statements and auditors' report.

The Audit Committee reviews the audited consolidated financial statements with management and the external auditors before making recommendations to the Board and the membership for their acceptance.

[Original signed by:]

Anthony Ariganello, CGA
President & Chief Operating Officer

[Original signed by:]

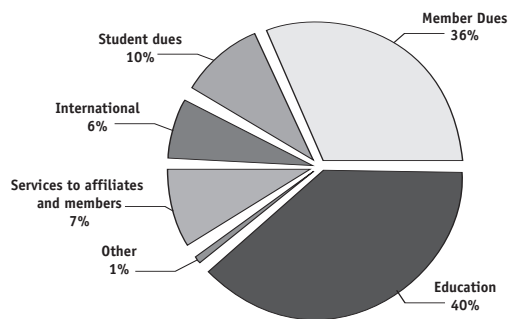
Tonni Bloomer, B. Comm., CGA
Vice-President, Finance and Administration

MANAGEMENT DISCUSSION AND ANALYSIS

During 2002/2003, CGA-Canada invested in initiatives that continue to support its three guiding principles — embrace technology, act globally and be market-driven. CGA-Canada ended the year in a strong financial position with a surplus of \$1.1 million and unrestricted equity of \$5.7 million or 3.7 months of operating expenses, enabling the Association to continue to invest in initiatives that promote the interests of the CGA designation and profession.

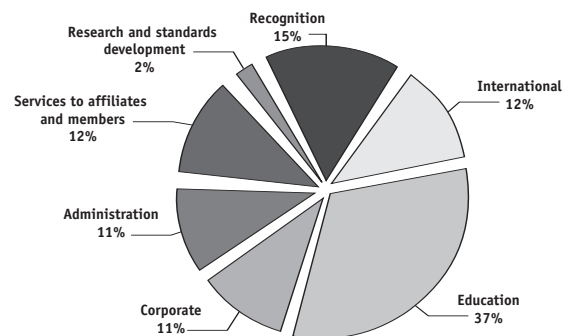
Compared to last year, total revenues remained flat. International revenue increased by \$135,000 (12%) primarily due to an increase in resale revenues in China. Member generated revenue continues to grow increasing by \$376,000 (5%) primarily due to a growing membership base. These increases were offset by a decrease in other income of \$765,000 (52%) due to a decrease in the insurance rebates for the professional liability insurance program and a one-time payment received in the previous year. Member and student dues have remained the same since July 2000.

2002/2003 Total Revenue



CGA-Canada receives the majority of revenues from member and student dues and its student education program. Program budgets are developed based on these revenue projections. Although member dues are easily determined, it is not until late September when it is known whether the education program revenues will materialize as expected. Therefore, CGA-Canada takes a conservative approach to budgeting revenues and expenses to ensure that the Association operates within its financial means without eroding equity.

2002/2003 Total Expenses



Expenses for the year were \$18.6 million, an increase of \$1.1 million (6%) from 2001/2002. During 2002/2003, CGA-Canada fulfilled its objectives by focusing on activities that strengthened its research and leadership capacity, supported information technology and Internet strategies in collaboration with the affiliates, and capitalized on the very latest in online learning tools. In support of these objectives significant investment was made in a number of key initiatives: CGA-Online, development of courses for education online degree

programs, pursuit of full public practice rights, the Atlantic Image Enhancement campaign, the Common Association Management System and the CGA Shared Services Facility Corp.

The 2002/2003 budget included the required funds for the Association's key initiatives as well as ensuring that ongoing operations were adequately funded. The Association continues to explore ways to keep expenses at a reasonable level while supporting ongoing operations. Such measures include moving course and professional development material from print media to CD and internet delivery, and streamlining operational processes.

Financial Position

In order to fund capital and initiative investment, CGA-Canada has two options: generate additional funds through dues increases or draw on its equity reserves. In order to ensure continuing financial security, the Association targets an operating equity of three months of expenses. For 2002/2003 CGA-Canada exceeded that target with operating equity of \$5.7 million or 3.7 months of expenses. The Association is therefore in a strong financial position, and able to meet the financial requirements for the upcoming year without requiring dues increases in the foreseeable future. The Association continues to invest in capital assets which totalled \$977,000 at June 30, 2003, a slight increase from last year. Net assets internally restricted for the insurance retention fund increased by \$86,000. This fund is being used to help stabilize premiums paid by members in public practice for professional liability insurance while providing CGA-Canada with the

future opportunity to establish an Association-controlled professional liability program.

Looking Forward

For the fiscal year ending June 30, 2004, CGA-Canada will continue to focus on initiatives and activities that strengthen its research and leadership capacity, support information technology and Internet strategies in collaboration with the affiliates, and capitalize on the very latest in online learning tools including Web-based research and interactive capabilities.

Key investments to both the professional and education programs are being made in order to respond to rapidly changing market conditions. The Association has provided funding for a number of key activities that support the continued achievement of its strategic goals. Initiatives include the expanded research and policy development function, CGA Online, CGA Shared Services Facility Corp, the Common Association Management System, the Atlantic Image Enhancement Campaign, implementation of the Southern Alberta Institute of Technology (SAIT) and Laurentian University bachelor and master degree programs, acquisition and development of a Learning Content Management System and Learning Management System (LCMS/LMS), and member services such as the PD Network and Competency Framework.

Due to its strong financial position, CGA-Canada is able to meet operational requirements without compromising financial stability. The 2003/2004 budget reflects the investment in key initiatives, and it satisfies the Association's equity and cash flow objectives.

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position (000s)

As at June 30, 2003

	2003	2002
ASSETS		
Current assets		
Cash and short-term investments (note 3)	\$ 4,764	\$ 3,656
Accounts receivable (note 4)	2,324	2,500
Prepaid expenses (note 5)	385	335
Insurance retention fund (note 6)	135	112
	<u>7,608</u>	<u>6,603</u>
Loan receivable (note 7)	50	-
Long-term investments (note 8)	606	621
Capital assets (note 9)	977	947
Insurance retention fund (note 6)	3,588	3,525
	<u>12,829</u>	<u>11,696</u>
LIABILITIES		
Current liabilities		
Accounts payable	2,393	2,234
Revenue received in advance (note 10)	-	146
	<u>2,393</u>	<u>2,380</u>
NET ASSETS		
Invested in capital assets	977	947
Insurance retention fund (note 6)	3,723	3,637
Unrestricted	5,736	4,732
	<u>10,436</u>	<u>9,316</u>
	<u>\$ 12,829</u>	<u>\$ 11,696</u>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors:

[Original signed by:]

Michel Guindon, FCGA
Chair of the Board

[Original signed by:]

Brenda Waechter, FCGA
Chair of the Audit Committee

Statement of Operations (000s)

For the year ended June 30, 2003

	2003	2002
REVENUES		
Member	\$ 7,994	\$ 7,618
Student	9,814	9,679
International	1,219	1,084
Other	713	1,478
	<u>19,740</u>	<u>19,859</u>
EXPENSES		
Services to Affiliates and Members	2,186	2,072
Research and Standards Development	309	268
Recognition	2,807	2,616
International	2,219	2,235
Education	6,986	6,754
Corporate	1,969	1,567
Administration	2,144	2,025
	<u>18,620</u>	<u>17,537</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 1,120	\$ 2,322

Statement of Changes in Net Assets (000s)

For the year ended June 30, 2003

	Invested in capital assets	Insurance retention fund	Unrestricted	2003	2002
Balance at beginning of year	\$ 947	\$ 3,637	\$ 4,732	\$ 9,316	\$ 6,994
Excess (deficiency) of revenues over expenses	(503)	86	1,537	1,120	2,322
Investment in capital assets	533	-	(533)	-	-
BALANCE AT END OF YEAR	\$ 977	\$ 3,723	\$ 5,736	\$ 10,436	\$ 9,316

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Cash Flows (000s)

For the year ended June 30, 2003

	2003	2002
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Cash receipts from members and students	\$ 19,567	\$ 20,209
Cash paid to suppliers and employees	(17,972)	(16,501)
Interest received	104	74
	<u>1,699</u>	<u>3,782</u>
INVESTING ACTIVITIES		
Loan receivable	(50)	-
Portfolio Investments	-	248
Investment in CGA Shared Services Facility Corp.	(8)	(32)
Purchase of capital assets	(533)	(525)
	<u>(591)</u>	<u>(309)</u>
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	1,108	3,473
Cash and short-term investments at beginning of year	3,656	183
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	<u>\$ 4,764</u>	<u>\$ 3,656</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2003

1. Purpose of organization

The Certified General Accountants Association of Canada (the "Association") was incorporated by a special Act of the Parliament of Canada in 1913 without share capital. The Association advances the interests of its members and the public through national and international representation, development of programs of studies and the establishment of professional standards, practices and services; and is operated without monetary gain to its members. Any profits or other accretions are to be used in promoting Association objectives and at no time will any dividends be paid to its members. The Association is a not-for-profit organization under paragraph 149(1)(l) of the *Income Tax Act*, and as such is not subject to federal and provincial income taxes.

2. Significant accounting policies

Revenue recognition

- a) *Member dues*
Members' dues and initiation fees are collected through the affiliated associations and recognized as revenue in the fiscal year due.
- b) *Student operations*
Student dues and entrance fees are recognized in the fiscal year due. Course and examination revenue is recognized in the year in which the services are provided.
- c) *Subscriptions*
Subscription revenue from magazine and accounting manual updates is recognized in the year in which it is received.

Principles of consolidation

The consolidated financial statements include the accounts of the Association and all controlled entities, except for the CGA-Canada Research Foundation (see note 11).

Investments

Investments in entities over which the Association exerts significant influence are accounted for by the equity method. Portfolio investments are recorded at cost. Income from portfolio investments is included in other revenue.

Capital assets

Capital assets are recorded at cost. Furniture and equipment are amortized on a 20% declining balance basis. Computer systems are amortized on a straight-line basis over three years.

Amortization of leasehold improvements is provided on a straight-line basis over the term of the lease or the estimated useful life of the leasehold improvements, whichever is shorter.

3. Cash and short-term investments

Surplus cash is invested in treasury bills or other cash equivalents.

4. Accounts receivable

(000s)	2003	2002
Affiliated Associations	\$1,903	\$1,999
CGA Shared Services Facility Corp.	25	24
Other	396	477
	\$2,324	\$2,500

5. Prepaid expenses

Prepaid expenses consist of course text books, travel advances and general expenses.

6. Insurance retention fund

The purpose of the insurance retention fund is to reflect amounts received from underwriters, including accumulated interest, to be used for the establishment of an Association professional liability reserve. Long-term investments are invested in government secured or like instruments. The market value of these long-term investments is \$3,832,000 at June 30, 2003 and \$3,726,000 at June 30, 2002.

A financial summary of the insurance retention fund at June 30 is as follows:

(000s)	2003	2002
Assets		
Cash	\$ 135	\$ 112
Long-term investments	3,588	3,525
	3,723	3,637
Net Assets		
Insurance retention fund	\$3,723	\$3,637
Revenue		
Insurance premium rebates	\$ -	\$ 230
Investment income	212	192
	212	422
Expenses		
	126	69
	\$ 86	\$ 353

7. Loan receivable

The loan receivable from a strategic partner is non-interest bearing and repayable as follows:

- \$20,000 on March 1, 2005;
- \$20,000 on June 1, 2005; and
- \$10,000 on September 1, 2005.

8. Long-term investments

(000s)	2003	2002
Portfolio investments	\$ 567	\$ 554
Investment in CGA Shared Services Facility Corp.	39	67
	<u>\$ 606</u>	<u>\$ 621</u>

Portfolio investments consist of long-term government secured and other like instruments. The market value of long-term investments is \$606,000 at June 30, 2003 and \$586,000 at June 30, 2002.

The Association owns a 38% interest in the CGA Shared Services Facility Corp. The losses from the investment under the equity method are \$36,000 in the 2003 fiscal year and \$34,000 in the 2002 fiscal year, and are included in expenses in the statement of operations.

9. Capital assets

The major categories of capital assets and accumulated amortization are as follows:

(000s)	Accumulated		2003	2002
	Cost	Amortization		
Furniture and equipment	\$ 921	\$ 652	\$ 269	\$ 270
Computer systems	2,045	1,418	627	650
Leasehold improvements	730	649	81	27
	<u>\$3,696</u>	<u>\$ 2,719</u>	<u>\$ 977</u>	<u>\$ 947</u>

Amortization expense is \$503,000 in 2003 and \$476,000 in 2002.

10. Revenue received in advance

Revenue received in advance consisted of member dues and receipts relating to events that occurred in the 2003 fiscal year.

11. Controlled entities

The Association controls the CGA-Canada Research Foundation (the "Foundation") through Board of Directors representation. The Foundation was incorporated as a not-for-profit organization

under the Canada Corporations Act. The Foundation's purpose is to encourage, foster and promote the advancement of research and education in connection with the practice of the profession of accountancy. The Foundation is a registered charity under the *Income Tax Act*. The Foundation's financial statements have not been consolidated with the Association's consolidated financial statements as the Association believes separate note disclosure of the Foundation provides a more meaningful presentation of the Association's activities.

A financial summary of the Foundation at June 30 is as follows:

(000s)	2003	2002
Financial position		
Total assets	\$ 81	\$ 104
Total liabilities	(1)	(4)
	<u>80</u>	<u>100</u>
Results of operations		
Total revenues	31	24
Total expenses	(36)	(69)
	<u>(5)</u>	<u>(45)</u>
Cash flows		
Decrease in cash from operations	(18)	(49)
Increase (decrease) in cash from financing activities	(7)	145
	<u>\$ (25)</u>	<u>\$ 96</u>

Amounts due to/(from) the Foundation are \$4,257 at June 30, 2003 and \$(2,785) at June 30, 2002.

12. Lease commitments

The Association leases offices, warehouse space and office equipment under operating leases. Commitments under leases total \$4,612,000 with minimum lease payments as follows:

Year	Amount
2004	\$ 916,000
2005	920,000
2006	902,000
2007	927,000
2008	947,000
	<u>\$ 4,612,000</u>

13. Restatement of comparative figures

Certain comparative figures for 2002 have been restated to conform to the presentation in the current year consolidated financial statements.