



## MANAGEMENT DISCUSSION AND ANALYSIS

### Vision, governance, strategy, and core businesses

The Chartered Accountants' Education Foundation of British Columbia ("CAEF") was incorporated on July 12, 1990 under the Society Act (British Columbia) to advance accounting education in British Columbia. The CAEF intends to achieve this goal by:

- enhancing the quality and quantity of students entering the profession,
- sponsoring relevant and practical research, and
- stimulating the ongoing educational experience of members and students of the Institute of Chartered Accountants of British Columbia ("BC Institute").

### Governance

The Foundation's Board is elected by the Board from among candidates recommended by the BC Institute Council. The Board includes CAs interested in education, and other individuals who help the Board ensure the vision is achieved.

### Strategy

The Board has regularly considered the environment in which it exists and where the Institute is focused, and identifies areas where the Foundation can supplement and enhance what the Canadian CA profession is doing to advance accounting education in BC.

### Key performance drivers

As an organization that operates in the not-for-profit sector, the Foundation is not driven solely by financial results; however, the Foundation 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, and these play a significant role in determining what drives the organization and how performance is measured.

The primary indicators of the Foundation's success in achieving its vision, strategy, and priority commitments are: deliverables and financial performance.

### Deliverables

The Institute reviews its deliverables quarterly and its priorities annually to ensure their ongoing alignment with the CAEF's goals:

- enhancing the quality and quantity of students entering the profession,
- sponsoring relevant and practical research, and
- stimulating the ongoing educational experience of members and students of the BC Institute.



## **Financial performance**

The Foundation sets financial targets through its annual budgeting process. The Foundation's performance is measured, in part, by the extent to which its financial objectives have been met, and by how effectively its financial resources have been managed. Measurement is based on actual financial results for the year, compared to the budget and the previous year's results.

## **Ability to deliver desired 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, 2009, the Foundation had cash and investments totalling approximately \$1,200,000 (\$1,514,000 at March 31, 2008). Investments are presented at market value. The Foundation's investments consist primarily of mutual funds on which it earns interest, dividend and capital gains income. The portfolio has suffered in the current downturn of the market, with a \$280,000 unrealized loss at year-end, which represents a loss of approximately 19% in the current year. The dramatic market downturn in 2008/09 reduced the ten year compounded annual return to 4.9% as of March 31, 2009, but it had recovered to a ten year compounded annual return of 5.3% as of May 31, 2009. Since inception of the CAEF in 1995, the compounded annual return is 6.6%.

In addition, the CAEF holds \$345,000 in contributed principal with the Vancouver Foundation. In accordance with the provisions of the Vancouver Foundation Act, the amounts are held permanently by the Vancouver Foundation. The CAEF has the right to receive the investment income on these funds, which amounted to \$15,904 in the current year (2008 - \$22,274), but historically has had no access to the contributed principal. With the market turmoil in 2008, the value of the investments in the Vancouver Foundation fell, and the *Vancouver Foundation Act* was amended to allow the Board to draw down a small portion of the capital of the funds and allow fundholders the ability to access 3% of their capital in 2009. This would amount to approximately \$10,000 for the CAEF.

### **Net assets**

Net assets at March 31, 2009, totalled \$1,186,000, comprising: \$65,000 externally restricted by the contributors, \$922,000 in net assets internally restricted as they resulted from donations and the net investment income earned on its retained donations, and \$199,000 in unrestricted net assets.

### **Non-financial resources**

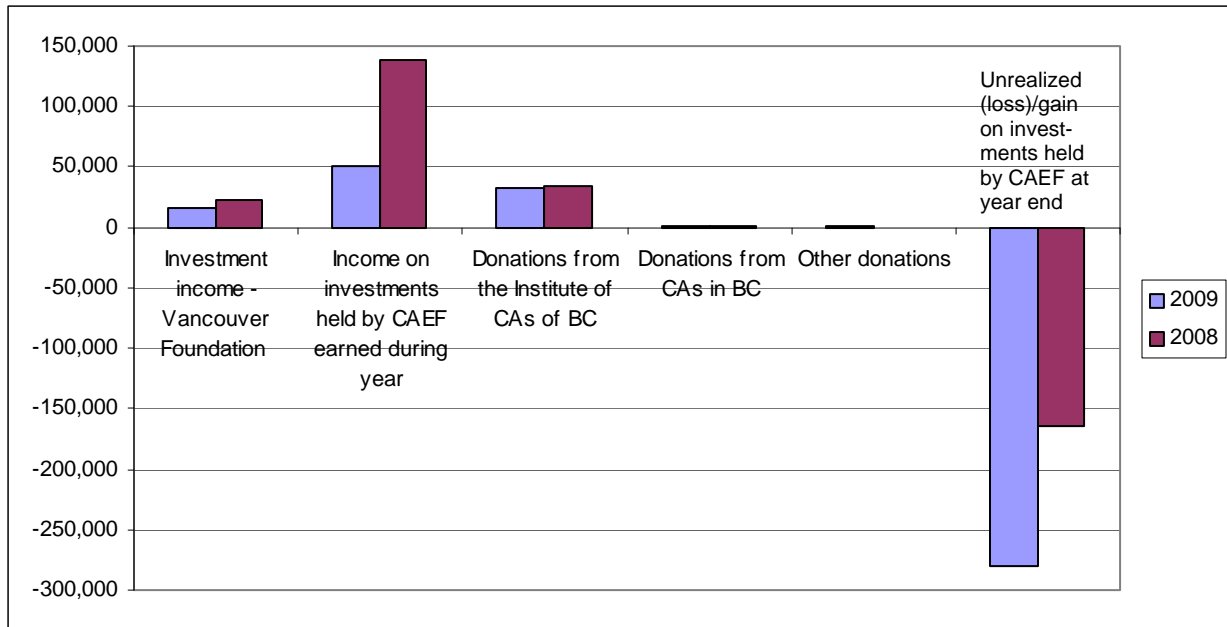
The Foundation relies on experienced volunteers to carry out its mandate. The Foundation has no staff. The Foundation benefits enormously from the support of CAs who volunteer time and energy to strengthen the goals of the Foundation, and from staff of the Institute of Chartered Accountants of BC. These volunteers and Institute staff ensure that the Foundation's goals are achieved.



**2008/09 Results**

**Revenues**

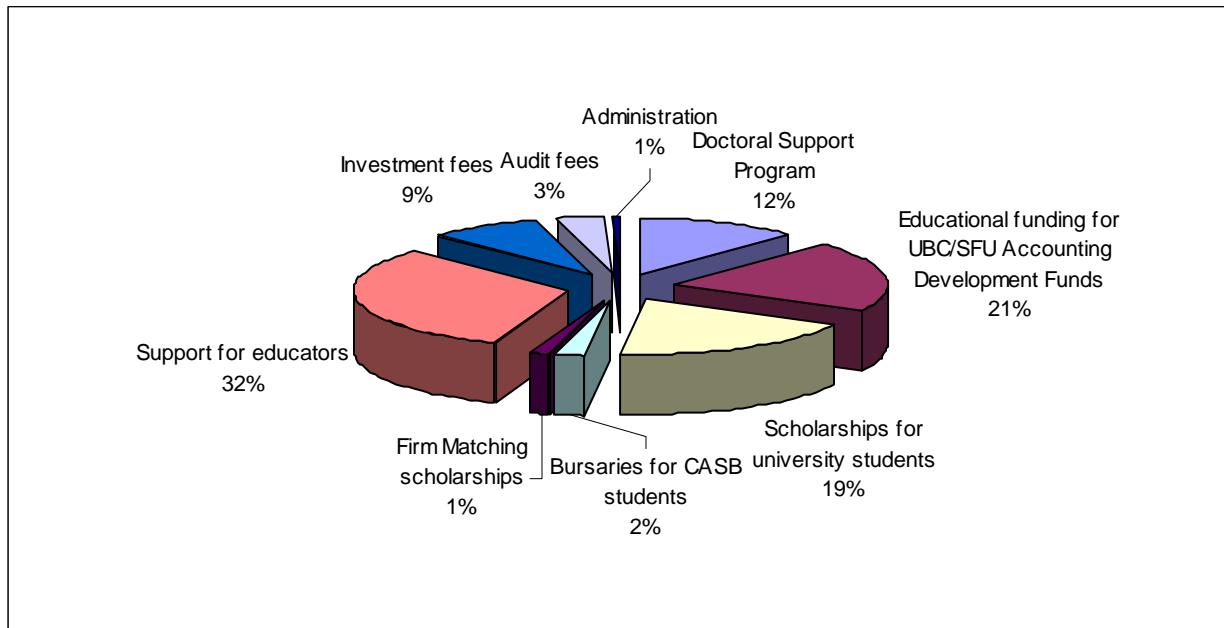
The Foundation’s total revenue in 2008/09 decreased significantly from the previous year as a result of the \$280,000 loss on the market value of the investments held in mutual funds at March 31, 2009 compared to the value of the same funds at March 31, 2008. This 19% drop was similar to the drop experienced by the whole market over the same period, and followed on a 10% drop in the prior year ended March 31, 2008.



The primary sources of funding for the Foundation’s programs and services are the long-term investment income enhanced or offset by the change in the market value of the portfolio. The BC Institute also contributes donations to support the scholarships offered by the CAEF, which contribute both the Foundation’s goals and to the Institute’s recruiting and branding objectives.

**Expenditures, programs, and services**

In 2008/09, the Foundation’s financial resources were invested into the following programs and services, as set out in the annual financial statements:



These many programs and services are designed to meet the CAEF’s responsibilities to its many stakeholders. Some of the highlights include:

**Doctoral Support Program**

This program provides selected CAs with forgivable loans of up to \$10,000 per annum for a maximum of four years. Loans will be forgiven once recipients have successfully earned their doctorates and taught accounting at a BC university (immediately upon completion of the doctorate). One year of teaching is required for each year of support.

Two CAs that were recent recipients of the CAEF doctoral support program are:

- Dr. Sheila Elworthy, CA, currently the Vice President, Education for the CA School of Business. Sheila’s doctorate involved studying the impact of electronic communication devices on faculty productivity.
- Dr. Barb Edwards, CA, currently teaching at SFU, and who sat her doctoral oral examination in March 2009 on her thesis titled *It Takes a Village: Perceptions of the SFU Education Research Assistant Experience*, and was awarded her doctorate this spring.

Both of these CAs took their doctorate in educational leadership (EdD) from SFU. These studies are designed to very directly enhance the quality of education, which in turn should enhance “the quality and quantity of students entering the profession” – one of the goals of the Foundation. Congratulations to these two CAs.



The Foundation is currently financially supporting two BC educators who are pursuing doctoral studies:

- Chris Duff, CA, Royal Roads University, studying for his PhD through the London South Bank University.
- Erin Marshall, CA, has completed the second year of her PhD at the University of Alberta.

### **Support for educators**

The Foundation holds an academic symposium every two years for CA educators in BC. While a symposium had not been scheduled for 2008, given the importance and urgency of the profession's transition to International Accounting Standards, a special IFRS symposium was held in May 2008.

#### May 2008 IFRS Symposium

This two-day session was held in Kelowna, Victoria and Vancouver, with 106 accounting instructors of all designations attending.

Partnering with Deloitte's, CAEF's symposium introduced IFRS to academics with insight into how IFRS will affect the way accounting is taught and applied in Canada. Specific topics presented included:

- An overview of IFRS and the conversion plan for Canada
- IFRS 1 – first-time adoption of IFRS
- A technical review of some key GAAP differences
- IFRS, the academic community and the learning curriculum
- IFRS in practice – mini cases and practical exercises

CICA Vice President of Education, Tim Forristal, also presented an IFRS update and what resources CICA would make available to support members through this transition.

The 2008 IFRS symposium was well received by participants, with evaluation summaries showing an overall 87% rating of above average to excellent. Of particular praise was the quality of the instruction from our presenters, Irene Wiecek, FCA and Shan Thomas, CA.

#### May 2009 Symposium on Teaching IFRS

Given the success of the 2008 symposium, CAEF used the same model for symposium held in May 2009, just after the CAEF fiscal year end. The 2009 two-day IFRS session was offered in Kelowna, Victoria and Vancouver in May. Attendance was similar to last year's, with 110 educators participating including all designations.

The most recent symposium included:

- an update on IFRS
- focus on cases



- an opportunity to share teaching experiences and techniques in the classroom.
- an update on non-publicly accountable enterprise GAAP
- educational support from the CICA.

Once again, the 2009 IFRS symposium was very well appreciated by all the participants, with evaluation summaries showing similar levels of praise for the content, instructors and material.

After four symposiums over the past six years, a strong relationship has been established between CAEF and the accounting academics throughout the province. With minimal PD budgets at most post-secondary institutions, accounting faculty are greatly appreciative of CAEF's funding of this program. Increasingly, PD staff seeks input and assistance from faculty at a number of BC institutions in the development of the CAEF symposium agendas.

### **Scholarships for university students**

- The Foundation evolved from the original “Memorial Scholarship Fund”, and a portion of its funds are externally restricted for specific scholarships. Today the Foundation has scholarships available to students attending every educational institution in BC, either through scholarships specific to a particular institution, or through up to seven CAEF scholarships available to students applying from those institutions who do not have a scholarship unique to their own institution. In fiscal 2009, scholarships totalling \$18,700 were awarded to students who indicated an intent to become a Chartered Accountant. Scholarships were awarded in the names of CAs, including:
  - Alexander Campbell, CA
  - Geoffrey W.J. Carter, CA
  - Desmond O'Brien, FCA
  - John Hadfield, CA
  - Jim Miller, FCA
  - A. D. Peter Stanley, FCA
- The Foundation also has a small number of “matching scholarships” whereby firms or associations set up a new scholarship and the Foundation will match their contribution. To date, the following matching scholarships exist:
  - Kelowna CA Association
  - Chan Foucher LeFebvre LLP, CAs
  - Bursey Buryrn Quiring CAs
- A new matching scholarship was established by the Fraser Valley Chartered Accountants Association in 2008: the Fraser Valley Chartered Accountants Association Scholarship. The contribution of the Association, combined with the CAEF's matched amount, will fund one \$250 scholarship at each of Trinity Western University, Kwantlen, and the University of the Fraser Valley.



### **Bursaries for CA students**

- The Foundation also acknowledges and recognizes that a number of students who enter the CA program have incurred significant financial debt to be able to pursue the dream of becoming a Chartered Accountant. Each year, the Foundation awards bursaries to CA candidates who demonstrate financial need, although none were granted in 2008/09, three were granted early in the 2009/10 fiscal year.

### **UBC/SFU Accounting Development Funds**

The CAEF contributes \$15,000 to the UBC Accounting Development Fund and \$10,000 to the SFU Accounting Development Fund. The contribution to the UBC Accounting Development Fund allowed the Sauder School of Business to sponsor eleven research workshops in the 2007/08 school year. The funds were used for travel costs to bring in speakers from other universities. The UBC Accounting Development Fund also hosted several other workshops led by UBC PhD students. The SFU Accounting Development Fund uses the funds they receive to support the SFU Research Fellowship described below, by providing each research fellow with research support of up to \$5,000 per year.

### **SFU Research Fellowship**

There are currently two ICABC Research Fellows at SFU. These Fellows are provided funding of up to \$5,000 per year through the SFU Accounting Development Fund over a three year period.

Dr. Craig Emby, CA, Professor of Accounting, was one of the first recipients of this award, and his appointment was renewed in 2009. Dr. Emby most recently used this funding to partially fund three research projects on auditing: *Second Partner Review*; *Multiple Hypothesis revision in Auditing*; and *Second Partner Review/Negotiation*. The resulting research papers have been published, and in all three cases, the papers have been presented at various conferences.

Dr. Dennis Chung, CA, an Associate Professor, was appointed in 2008 as an ICABC Research Fellow for the next three years. Dr. Chung's research focuses on examining the effect of information on capital market participants, and the relationship between accounting information and market efficiency. One of the research papers which Dr. Chung co-authored and recently presented at a conference received the best paper award: *Liquidity and Market Efficiency: a Large Sample Study*.

### **CA Professorship in Accounting at UBC**

Dr. Kin Lo, CA, holds the CA Professorship in Accounting funded by the CAEF at the Sauder School of Business, UBC. His research interests lie in the area of empirical research in financial accounting and reporting, and Kin shares some of his ideas through a regular column in the Institute's magazine, *Beyond Numbers*.



## **Excess of expenses over revenues (revenues over expenses)**

The Foundation's plan is to meet the organization's goals while also prudently managing the funds entrusted to it by the membership. The \$305,000 excess of expenses over revenues in 2008/09 resulted almost entirely from the unrealized loss of \$280,000 in the value of the Foundation's investments, recorded at market value, in the recent market turmoil and the related drop in investment income.

The operating plans and budget for 2009/10 are based on the presumption that the Foundation will earn the target 3% return on its investments. Over the longer term, this target has been achieved, and the Foundation anticipates that in the future, this target will continue to be achieved and continues to support its educational objectives on this basis, recognizing that market volatility will from time to time result.

## **Risks**

The environment in which the Foundation operates creates risks and uncertainties that could affect the successful implementation of its plans.

## **Funding and financial**

The Foundation depends on investment income and donations to fund its programs. While the majority of the donations come from the Institute of Chartered Accountants of BC, and are assured, the investment income is dependent on the market. Given the CAEF's investment strategy includes investment in the market, it does subject the Foundation to the recent market volatility which resulted in a loss on the current year's financial statements, but over the life of the Foundation has resulted in a positive return of 6.6%.

## **Human resources**

The Foundation relies on the services of volunteers and Institute 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.

## **On the horizon... 2009/10**

The Foundation continues to focus on its goal of:

- enhancing the quality and quantity of students entering the profession,
- sponsoring relevant and practical research, and
- stimulating the ongoing educational experience of members and students of the Institute of Chartered Accountants of British Columbia ("BC Institute").



Exciting new ventures for 2009/10 include

- the second course on IFRS for educators held in May 2009, whereby all accounting educators in BC were invited to attend sessions hosted in Vancouver, Kelowna and Victoria on IFRS and on curriculum modification to address the changing standards, attended by over 100 BC academics, and
- a most generous anonymous donation was received which will be used to increase the resources to academics, enhance their ability to collaborate with each other to develop new course material, and strengthen their connection to the CA designation.

This will be in addition to continuing the existing programs:

- Doctoral Support Program
- Scholarships for university students
- Bursaries for CA students
- UBC/SFU Accounting Development Funds
- CA Professorship in Accounting at UBC
- SFU Research Fellowship

The CAEF believes each of these programs does advance accounting education in BC.