

**THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF BERMUDA**

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2013

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Members of The Institute of Chartered Accountants of Bermuda

We have audited the accompanying financial statements of The Institute of Chartered Accountants of Bermuda (the "Institute"), which comprise the statement of financial position as at March 31, 2013, and the related 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.

This report is made solely to the Institute's members, as a body. Our audit work has been undertaken so that we might state to the Institute's members, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Institute's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 auditors' 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 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 Institute of Chartered Accountants of Bermuda as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Moose Stephens & Butterfield


Chartered Accountants
Hamilton, Bermuda
June 26, 2013

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013
(Expressed in Bermuda Dollars)

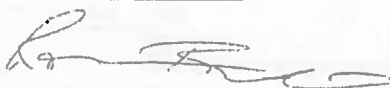
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 273,954	\$ 278,597
Fixed deposits (Note 3)	216,727	214,599
Accounts receivable	30,048	7,435
Interest receivable	685	1,001
Prepaid expenses	<u>1,086</u>	<u>2,394</u>
Total current assets	522,500	504,026
PROPERTY AND EQUIPMENT, NET (Note 4)	<u>47,844</u>	<u>64,245</u>
	<u>\$ 570,344</u>	<u>\$ 568,271</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 90,713	\$ 68,688
Deferred revenues	<u>14,145</u>	<u>12,810</u>
Total current liabilities	<u>104,858</u>	<u>81,498</u>
NET ASSETS		
Unrestricted net assets	456,912	478,199
Restricted net assets (Notes 2h, and 10)	<u>8,574</u>	<u>8,574</u>
Total net assets	<u>465,486</u>	<u>486,773</u>
	<u>\$ 570,344</u>	<u>\$ 568,271</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Executive Committee:



Chairman



Vice Chairman

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

	2013	2012
OPERATING REVENUES		
Membership fees (Note 6)	\$ 644,577	\$ 630,685
Less: CICA fees	<u>(278,530)</u>	<u>(279,282)</u>
Net membership fees	366,047	351,403
Admission fees	17,475	20,375
Donated services (Note 8)	14,000	14,000
Interest	<u>1,902</u>	<u>2,556</u>
	<u>399,424</u>	<u>388,334</u>
OPERATING EXPENSES		
Salaries and benefits (Notes 2b and 7)	268,028	240,882
Rent and office maintenance (Note 9)	61,892	63,746
Conferences and committees	24,830	27,175
Amortization (Note 4)	17,581	7,305
Disciplinary expense (Notes 2h and 10)	-	17,826
Foreign exchange loss	14,027	133
Audit fees (Note 8)	14,000	14,000
Communication	13,212	13,373
Insurance	7,734	7,734
Legal fees	8,208	7,101
Executive council expense	5,456	5,631
Printing and stationery	2,942	4,060
Information technology consulting	1,875	4,232
Advertising	1,680	1,624
Loss on disposal of fixed assets (Note 4)	-	5,666
Miscellaneous	<u>4,014</u>	<u>6,831</u>
	<u>445,479</u>	<u>427,319</u>
Deficiency of operating revenues over operating expenses	<u>(46,055)</u>	<u>(38,985)</u>
PROGRAM REVENUES (EXPENSES), NET (Note 2b and 7)		
Professional development	41,346	107,333
Student affairs	(460)	5,825
Public awareness	<u>(16,118)</u>	<u>(26,635)</u>
Net program revenues	<u>24,768</u>	<u>86,523</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>\$ (21,287)</u>	<u>\$ 47,538</u>

The accompanying notes form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

	2013	2012
Unrestricted net assets, beginning of year	\$ 478,199	\$ 412,835
(Deficiency) excess of revenues over expenses (Note 2h)	(21,287)	47,538
Transfer from restricted net assets (Notes 2h and 10)	<u>-</u>	<u>17,826</u>
Unrestricted net assets, end of year	<u>\$ 456,912</u>	<u>\$ 478,199</u>
Restricted net assets, beginning of year (Note 2h)	\$ 8,574	\$ 26,400
Transfer to unrestricted net assets (Notes 2h and 10)	<u>-</u>	<u>(17,826)</u>
Restricted net assets, end of year (Note 2h)	<u>\$ 8,574</u>	<u>\$ 8,574</u>

The accompanying notes form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

	2013	2012
OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	\$ (21,287)	\$ 47,538
Adjustments for non-cash items and changes in working capital:		
Amortization	17,581	7,305
Loss on disposal of property and equipment (Note 4)	-	5,666
(Increase) decrease in accounts receivable	(22,613)	12,097
Decrease in interest receivable	316	180
Decrease (increase) in prepaid expenses	1,308	(1,321)
Increase (decrease) in accounts payable and accrued liabilities	22,025	(4,678)
Increase in deferred revenues	<u>1,335</u>	<u>2,420</u>
Net cash (used in) from operating activities	<u>(1,335)</u>	<u>69,207</u>
INVESTING ACTIVITIES		
Purchase of additional fixed deposits	(2,128)	(2,525)
Acquisition of property and equipment	<u>(1,180)</u>	<u>(54,927)</u>
Net cash used in investing activities	<u>(3,308)</u>	<u>(57,452)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,643)	11,755
CASH AND CASH EQUIVALENTS, beginning of year	<u>278,597</u>	<u>266,842</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 273,954</u>	<u>\$ 278,597</u>

The accompanying notes form an integral part of these financial statements.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

1. DESCRIPTION OF BUSINESS

The Institute of Chartered Accountants of Bermuda (the "Institute") was established under the authority of the Institute of Chartered Accountants of Bermuda Act 1973. The Institute is affiliated with the Canadian Institute of Chartered Accountants ("CICA"). Its principal objectives are to promote and increase the knowledge, skill and proficiency of its members and students, to regulate the discipline and professional conduct of its members and students, to promote the best standard of practice in financial reporting and in the expression of professional opinions in relation thereto, and to promote the welfare and interests of the Institute and accounting profession.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which have general application in Bermuda. The Institute's significant accounting policies are as follows:

(a) Revenue recognition

Membership fees are recognized as revenue in the fiscal year to which they relate. Program revenues and expenses are recognized as revenues and expenses when the events are held. The portion that relates to future periods are recognized in the balance sheets as deferred revenues.

Investment income is recognized as revenue when earned.

(b) Professional development expenses

Salaries and benefits and office expenses related to professional development management are allocated to programme expenses. The ratio used on the allocation is based on management's best estimate of the time spent by the staff on professional development management in relation to general administrative work. Professional development revenue in the statement of operations is presented net of these expenses.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. The carrying value of these investments approximates their fair value because of their short maturity.

(d) Property and equipment

Property and equipment are recorded at cost, net of accumulated amortization which is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	10 years
Computer equipment	3 years
Leasehold improvements	3 years

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Donated services

The work of the Institute is dependent on the voluntary services of many members. Since these services are not normally purchased by the Institute, and because of the difficulty in determining their fair value, donated services by the members, except for audit fees, are not recognized in these financial statements.

(f) Foreign exchange

Expenses invoiced in foreign currencies are translated into Bermuda dollars at the rates of exchange in effect on the date of the transaction. Gains and losses on translation are taken to the statements of operations.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statements of operations on a straight-line basis over the term of the lease.

(h) Restricted net assets

In 2010, the Institute established a reserve for disciplinary expenses by levying \$100 per member participating in public accounting. These contributions are recorded as revenue on the date of receipt and are accumulated as restricted net assets on the statement of financial position. Restricted net assets will be reduced in the year in which the related expenses are incurred.

(i) Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in Bermuda and Canada requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amount of income and expenses incurred for the reporting period of the statements of operations. Actual results could differ from those estimates.

(j) Adoption of the Accounting Standards for Not-For-Profit Organizations

In December 2010, the Accounting Standards Board ("AcSB") issued Part III of the CICA Handbook ("Handbook") - Accounting Standards for Not-For-Profit Organizations, effective for fiscal years beginning on or after January 1, 2012. A not-for-profit organization that applies Part III of the Handbook also applies the standards for private enterprises in Part II of the Handbook to the extent that the Part II standards address topics not addressed in Part III.

Not-for-profit organizations can apply either the accounting standards for not-for-profit organizations in Part III of the Handbook or International Financial Reporting Standards in Part I of the Handbook.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

(j) Adoption of the Accounting Standards for Not-For-Profit Organizations (continued)

Effective April 1, 2012, the Company adopted the requirements of the Handbook – Accounting, electing to adopt the new accounting framework: Part III of the Handbook - Accounting Standards for Not-For-Profit Organizations. These are the Institute’s first financial statements prepared in accordance with Part III of the Handbook.

The adoption of the new standard had no impact on the previously reported assets, liabilities, and net assets of the Institute. Accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and the statement of cash flows.

3. FIXED DEPOSITS

The following interest bearing fixed deposits which represent 38% (2012 - 38%) of the Institute’s assets are with Capital G Bank Limited:

	2013	2012
Fixed deposit maturing on October 5, 2013	\$ 146,736	\$ 145,272
Fixed deposit maturing on October 25, 2013	<u>69,991</u>	<u>69,327</u>
	<u>\$ 216,727</u>	<u>\$ 214,599</u>

The interest rates of the fixed deposits maturing on October 5, 2013 and October 25, 2013, are 0.70% and 0.60%, respectively (2012 – 1.00% and 0.95%, respectively).

4. PROPERTY AND EQUIPMENT, NET

This account consists of:

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture and fixtures	\$ 55,026	\$ (29,729)	\$ 25,297	\$ 30,228
Leasehold improvements	35,745	(14,894)	20,851	32,766
Computer equipment	<u>22,082</u>	<u>(20,386)</u>	<u>1,696</u>	<u>1,251</u>
	<u>\$ 112,853</u>	<u>\$ (65,009)</u>	<u>\$ 47,844</u>	<u>\$ 64,245</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This account consists of:

	2013	2012
Accrued liabilities	\$ 74,040	\$ 49,176
Due to CICA	7,781	8,809
Payroll tax	8,892	7,995
Accounts payable	<u>-</u>	<u>2,708</u>
	<u>\$ 90,713</u>	<u>\$ 68,688</u>

Accrued liabilities represent expenses incurred in the normal course of the operations of the Institute.

The Institute was tasked to collect fees from the member firms for their share in the operational cost of the Board established by the Institute and Barristers in ensuring compliance with the Anti-Money Laundering and Anti-Terrorist Financing Act. Accounts payable and accrued liabilities is presented net of the amounts billed to the member firms.

6. MEMBERSHIP FEES

This account consists of:

	2013	2012
Annual ICAB membership fees	\$ 586,817	\$ 570,643
ICAB non-practitioner members	49,810	51,502
ICAB corporate and CPD fees	4,320	4,580
Annual ICAB student membership	<u>3,630</u>	<u>3,960</u>
	<u>\$ 644,577</u>	<u>\$ 630,685</u>

The membership period runs from April 1 to March 31 of each year.

7. PROGRAM REVENUES (EXPENSES), NET

The Institute generates revenues and incurs expenses for various programs and services. The gross revenues and expenses relating to these programs and services are as follows:

	Revenues	Expenses	2013 Net	2012 Net
Professional development	\$ 405,646	\$ (364,300)	\$ 41,346	\$ 107,333
Student affairs	4,400	(4,860)	(460)	5,825
Public awareness	<u>28,629</u>	<u>(44,747)</u>	<u>(16,118)</u>	<u>(26,635)</u>
	<u>\$ 438,675</u>	<u>\$ (413,907)</u>	<u>\$ 24,768</u>	<u>\$ 86,523</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

7. PROGRAM REVENUES (EXPENSES), NET (continued)

Expenses and net program revenues include the allocation of salaries and office expenses relating to professional development management in the amount of \$111,622 (2012 - \$106,390).

8. DONATED SERVICES

Audit fees are recorded at their fair value of \$14,000 (2012 - \$14,000) and are included in operating revenues and expenses at the recorded value for service rendered.

9. COMMITMENT

In 2012 the Institute entered into a lease for the office space it occupies at a monthly rent of \$4,710 (2012 - \$4,710). The lease is for a term of three years from March 1, 2012 to February 28, 2015.

10. NET ASSETS

During 2011 the Institute collected \$26,400 from members in public practice to establish a fund which is restricted to meet future disciplinary expenses. During the year, \$nil was spent in disciplinary expenses.

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Institute's financial instruments consist of cash and cash equivalents, fixed deposits, accounts receivable, interest receivable and accounts payable and accrued liabilities.

Fair value

The carrying values of cash and cash equivalents, fixed deposits, accounts receivable, interest receivable and accounts payable and accrued liabilities approximate their fair values due to their short term nature.

Credit and interest rate risk

Financial assets which potentially subject the Institute to concentrations of credit risk consist principally of cash and cash equivalents, fixed deposits and accounts receivable. In management's opinion, the risk of loss due to credit risk is not significant as cash and cash equivalents and fixed deposits are placed with high credit quality financial institutions and accounts receivable are presented net of provisions for uncollectible amounts. Changes in interest rate will result in changes in amount of interest earned on fixed deposits.

Foreign exchange risk

Foreign exchange risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of financial instruments denominated in currencies other than Bermuda dollars. Changes in foreign currency exchange rates will result in gains or losses which are recorded in the statements of operations.

The foreign exchange loss for the year ended March 31, 2013, arose from the movement in the Canadian dollar exchange rate from April 1, 2012, the date at which liabilities for CICA fees were recorded, and the actual rates of exchange in effect when each payment was made to settle the liability.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Capital management

The Institute manages its operations to maintain adequate capital to enable it to fulfill its mission and vision objectives which foster public confidence in the CA profession by acting in the public interest and helping our members excel.

12. UNIFICATION OF ICAB AND CPA CANADA

The Institute has been affiliated with the Canadian Institute of Chartered Accountants (CICA) for almost 40 years and is considered a provincial institute of the CICA. The CICA and CMA Canada have been engaged in discussions with the intention of bringing those two bodies together to unify the Canadian accounting profession. As a consequence, Chartered Professional Accountants of Canada (CPA Canada) has been established under the Canada Not-for-profit Corporations Act, effective January 1, 2013. As Canada's newest national accounting body, CPA Canada will support provincial accounting bodies that have unified, and all those that will unify, under the banner of Chartered Professional Accountant. In Quebec, the CA, CMA and CGA governing bodies have already merged in accordance with a provincial government directive to form CPA Quebec. Additionally, certain provincial CGA governing bodies have entered into similar discussions with their provincial CA and/or CMA counterparts. CGA Canada is currently in discussion with CPA Canada..

The CICA and CMA Canada jointly published a national unification framework as the basis for unification. Given the Institute's long association and affiliation with CICA, it must consider the implications of unification in Canada on the accounting profession in Bermuda.

The Institute's council believes in the principles of unification and developed a proposal to provide relevant information and to recommend to members an appropriate way forward for the accounting profession in Bermuda. While the underlying principles are the same as those across Canada, the practical application of those principles differs significantly in the Bermuda context.

This proposal contains three fundamental components as follows:

1. Incorporate a professional body called the Institute of Chartered Professional Accountants of Bermuda ("CPA Bermuda") to govern the accounting profession in Bermuda, such that present members of other professional accounting bodies could be considered for admission;
2. Enter into an agreement with CPA Canada similar to those in place presently between the Institute and CICA;
3. Develop a licensing regime in Bermuda under the authority of CPA Bermuda to regulate the eligibility of members to provide assurance services.

At a Special General Meeting held on December 6, 2012, members voted in favor of the proposal.

Because of the unification, the Institute's Bye-Laws and Act will be amended accordingly. The revised Act is currently with the Ministry of Finance awaiting approval by the House of Assembly. The revised Bye-Laws will be presented to the House in the fall session.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BERMUDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013
(Expressed in Bermuda Dollars)

13. SUBSEQUENT EVENTS

The Institute evaluated events and transactions occurring after March 31, 2013, through to June 26, 2013, for potential recognition or disclosure in the notes to the financial statements. Management believes that there are no post year-end events that need to be reflected in the financial statements or disclosed in the notes to the financial statements.