

Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2012

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Independent Auditors' Report

To the Members of the Notary Foundation of British Columbia

We have audited the accompanying financial statements of the Notary Foundation of British Columbia which comprise the Statement of Financial Position as at June 30, 2012 and the Statement of Operations, Changes in Net Assets and Cash Flows for the year then ended, and 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 generally accepted accounting principles, 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.

Auditors' 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 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 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 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 Notary Foundation of British Columbia as at June 30, 2012, and the results of its operations and its cash flows for the year ended are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
August 22, 2012

Notary Foundation of British Columbia
Statement of Financial Position

June 30	General Fund	Education and Administrative Fund	Grants Fund	2012	2011
Current Assets					
Cash (Note 2)	\$ 502,179	\$ -	\$ -	\$ 502,179	\$ 317,960
Accrued interest receivable	86,706	-	-	86,706	131,481
Short term investments (Note 3)	446,391	-	-	446,391	485,632
	1,035,276	-	-	1,035,276	935,073
Investments (Note 4)	1,668,208	-	-	1,668,208	1,648,035
	\$ 2,703,484	\$ -	\$ -	\$ 2,703,484	\$ 2,583,108
Current Liabilities					
Accounts payable and accrued liabilities (Note 5)	\$ 528,352	\$ 336,145	\$ 5,000	\$ 869,497	\$ 720,351
Interfund balances	2,175,132	(1,605,566)	(569,566)	-	-
	2,703,484	(1,269,421)	(564,566)	869,497	720,351
Net Assets	-	1,269,421	564,566	1,833,987	1,862,757
	\$ 2,703,484	\$ -	\$ -	\$ 2,703,484	\$ 2,583,108

Approved by The Board of Governors:

_____ Governor

_____ Governor

Notary Foundation of British Columbia
Statement of Operations and Changes in Net Assets

For the year ended June 30	General Fund	Education and Administrative Fund	Grants Fund	2012	2011
Revenue (Note 6)					
Interest earned on members' trust accounts	\$ 862,708	\$ -	\$ -	\$ 862,708	\$ 832,842
Investment income	132,598	-	-	132,598	156,355
	<u>995,306</u>	<u>-</u>	<u>-</u>	<u>995,306</u>	<u>989,197</u>
Expenses					
Education and Administrative Fund (Note 7)	-	336,224	-	336,224	328,804
Grants Fund	-	-	159,500	159,500	202,000
Legal Services Society of British Columbia	528,352	-	-	528,352	516,691
	<u>528,352</u>	<u>336,224</u>	<u>159,500</u>	<u>1,024,076</u>	<u>1,047,495</u>
	466,954	(336,224)	(159,500)	(28,770)	(58,298)
Excess of revenue over expenses (expenses over revenue)	<u>-</u>	<u>1,234,755</u>	<u>628,002</u>	<u>1,862,757</u>	<u>1,921,055</u>
Net assets, beginning of the year				1,833,987	1,862,757
Transfer (to) from Education and Administrative Fund	466,954	898,531	468,502	1,833,987	-
	(370,890)	370,890	-	-	-
Transfer (to) from Grants Fund	(96,064)	-	96,064	-	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 1,269,421</u>	<u>\$ 564,566</u>	<u>\$ 1,833,987</u>	<u>\$ 1,862,757</u>

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

Notary Foundation of British Columbia
Statement of Cash Flows

For the year ended June 30,	2012	2011
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue Item not involving cash	\$ (28,770)	\$ (58,298)
Unrealized gains on investments	<u>(34,667)</u>	<u>(49,758)</u>
	(63,437)	(108,056)
Changes in non-cash working capital balances		
Accrued interest receivable	44,775	45,518
Accounts payable and accrued liabilities	<u>149,146</u>	<u>(49,445)</u>
	130,484	(111,983)
Investing activity		
Proceeds of investments, net	<u>53,735</u>	<u>151,564</u>
Increase in cash during the year	184,219	39,581
Cash, beginning of year	<u>317,960</u>	<u>278,379</u>
Cash, end of year	<u>\$ 502,179</u>	<u>\$ 317,960</u>

Notary Foundation of British Columbia
Summary of Significant Accounting Policies

June 30, 2012

Financial Instruments Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Financial assets classified as held-for-trading are recorded at fair value. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer observable market data. Transaction costs related to instruments classified as held-for-trading are expensed as incurred. All transactions related to financial instruments are recorded on a settlement date basis.

The Foundation classified its cash, short-term investments and investments as held-for-trading. As a result, they are carried on the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Operations.

Financial instruments other than cash, short-term investments and investments are recorded at cost. The fair value of other financial instruments are considered to approximate their carrying value due to their short term nature.

Revenue Recognition The interest earned on members' trust accounts is calculated net of bank charges and remitted to the Foundation based upon agreements made with individual financial institutions. The trust accounts are not the property of nor are they administered by the Foundation. The interest earned on members' trust accounts held in financial institutions is recognized by the Foundation on an accrual basis when collection is reasonably estimated and assured.

Investment income includes gains and losses on sale of investments, interest and dividend income and gains or losses resulting from changes in the fair market value of investments. Interest and dividend income is recognized when earned and is allocated on a predetermined basis amongst the funds.

Grants Grants are recorded in the Foundation's accounts in the year of authorization.

Notary Foundation of British Columbia
Summary of Significant Accounting Policies

June 30, 2012

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates made by management include, but are not limited to, completeness of accrued interest receivables and accounts payable and accrued liabilities.

**New Accounting
Pronouncements**

The Accounting Standards Board has issued the accounting and financial reporting requirements for NPOs in Part III of the CICA Handbook. The standards to be followed are essentially the relevant standards from Part II for private enterprises plus NPO only standards in Part III including the current Section 4400 series of standards with minor modifications. The CICA has stated that any NPO could elect to follow IFRS if they should so desire. The date of transition for the organization is July 1, 2012 and the impact of the transition on the financial statements is currently being evaluated.

Notary Foundation of British Columbia Notes to Financial Statements

June 30, 2012

1. Organization and Income Tax Status

The Notary Foundation of British Columbia (the "Foundation") was established in 1986 under Section 50 of the Notaries Act. The Foundation is a not-for-profit organization, which receives funding from interest earned on the pooled trust funds of the notaries.

The Foundation is to establish and maintain funds to be used for the purpose of:

- legal education, legal research and legal aid,
- salary, administration, education and continuing education for notaries and applicants for enrolment as notaries,
- establishing, operating and maintaining law libraries in the Province of British Columbia

These financial statements have been prepared on the restricted fund method of accounting for not-for-profit organizations. The Foundation is a tax exempt body under Section 149 of the Income Tax Act.

2. Cash

The Foundation's cash is held in various Canadian chartered banks. The accounts earn interest at prevailing market rates.

3. Short-term Investments

Investments are comprised of:

	2012	2011
	<u>Market Value</u>	<u>Market Value</u>
Foreign equities	\$ 104,151	\$ 81,641
Canadian equities	306,753	322,481
Cash	35,487	81,510
	<u>\$ 446,391</u>	<u>\$ 485,632</u>

The Foundation's investments are held through one Canadian investment management company.

Equities are classified as short-term investments as they are revolving equities.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2012

4. Investments

	2012 Market Value	2011 Market Value
Corporate bonds	\$ 725,295	\$ 723,921
Government bonds	942,913	924,114
	\$ 1,668,208	\$ 1,648,035

The corporate bonds bear interest from 5.000% to 5.675% (2011 - 5.000% to 5.675%) per annum and mature between September 26, 2012 and May 7, 2015. The government bonds bear interest from 2.000% to 5.500% (2011 - 2.000% to 5.500%) per annum and mature between December 1, 2014 and December 1, 2036.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities pertain to the allocation of revenue from the General Fund less payments and are comprised of the following:

	2012	2011
Legal Services Society of British Columbia		
Balance, beginning of period	\$ 516,691	\$ 513,474
Earned revenue from General Fund	528,352	516,691
Payments to Legal Services Society of British Columbia	(516,691)	(513,474)
	528,352	516,691
Education, administrative and grant payables	341,145	203,660
Balance, end of the year	\$ 869,497	\$ 720,351

Included in the current education, administrative and grant payables is \$336,105 (2011 - \$178,660) due to the Society of Notaries Public of British Columbia (Note 7).

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2012

6. Allocation of Revenue

Realized revenue earned by the Foundation is to be disbursed as follows:

- a) 55% to be paid to the Legal Services Society of British Columbia.
- b) 10% to be used for legal education, legal research and the establishing, operating and maintaining of law libraries in the Province of British Columbia (the "Grants Fund"). Grant Funds are recognized as payable once approved by the Board of Governors.
- c) 35% to be used for salary, administrative, education and continuing education of notaries and notarial applicants (the "Education and Administrative Fund"). The Foundation provides an annual grant to the Society of Notaries Public of British Columbia (the "Society") to fund Education and Continuing Education initiatives which are carried out by the Society on behalf of the Foundation in order for the Foundation to meet its obligation pursuant to its articles of incorporation under the Notaries Act. The Foundation may maintain a reserve fund composed of up to three years of contributions to the Education and Administrative Fund (the "Foundation Reserve Fund").

7. Related Party Transactions

During the year, the Foundation had paid grants in the amount of \$336,224 (2011 - \$328,804) to the Society which was used by the Society to fund Education and Continuing Education initiatives as described in Note 6(c) which includes salary, administrative, education and continuing education of notaries and notarial applicants and in accordance with the Governance Agreement and the Notaries Act of British Columbia. The transactions are in the normal course of operations and are measured at their carrying amount.

8. Financial Instruments Risks

The Foundation, through its financial assets and liabilities, is exposed to various risks. The Foundation has in place an investment policy for the purpose of reducing these risks through prudent management of the portfolio. The following analysis provides a measurement of those risks at June 30, 2012.

(a) Credit and Market Risk

Credit risk is the risk that The Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash, short-term investments, investments and accrued interest receivable. Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Foundation limits its exposure to credit risk by placing its cash, short-term investments and investments with high credit quality governments, financial institutions, corporations and Canadian and foreign equities in accordance with investment policies adopted by the Foundation. Risk and volatility of investment returns are mitigated through the diversification of investments in different geographic regions and different investment vehicles.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2012

8. Financial Instruments Risks - Continued

(b) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has limited exposure to foreign exchange risk as 94% of all financial instruments are denominated in Canadian dollars.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash, short-term investments, and investments are as disclosed in Note 4.

(d) Liquidity Risk

Liquidity risk is the risk that The Foundation will not be able to meet its obligations as they fall due. The Foundation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Investments are also held in securities that can be liquidated within a few days notice.

(e) Capital Risk

The Foundation considers its capital to be its net assets. The Foundation's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide education to its members at varying levels as well as supporting the Legal Services Society while maintaining its tax exempt status under the Canadian Income Tax Act. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.