

Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2008

**Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2008**

Contents

Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Summary of Significant Accounting Policies	6 - 8
Notes to Financial Statements	9 - 12



Auditors' Report

To the Members of the Notary Foundation of British Columbia

We have audited the Statement of Financial Position of the Notary Foundation of British Columbia as at June 30, 2008 and the Statements of Operations and Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Notary Foundation of British Columbia as at June 30, 2008, the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP


Chartered Accountants

Vancouver, British Columbia
August 11, 2008

Notary Foundation of British Columbia
Statement of Financial Position

June 30	General Fund	Education and Administrative Fund	Grants Fund	2008	2007
Current Assets					
Cash (Note 3)	\$ 1,618,490	\$ -	\$ -	\$ 1,618,490	\$ 1,121,676
Accrued interest receivable	322,364	-	-	322,364	740,649
Prepaid expenses	-	-	-	-	21,777
Investments (Note 4)	942,871	-	-	942,871	406,601
	<u>2,883,725</u>	<u>-</u>	<u>-</u>	<u>2,883,725</u>	<u>2,290,703</u>
Investments (Note 4)	<u>3,357,161</u>	<u>-</u>	<u>-</u>	<u>3,357,161</u>	<u>1,575,754</u>
	<u>\$ 6,240,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,240,886</u>	<u>\$ 3,866,457</u>
Current Liabilities					
Accounts payable and accrued liabilities (Note 5)	\$ 3,158,550	\$ 267,782	\$ -	\$ 3,426,332	\$ 1,082,657
Due to the Society of Notaries Public of British Columbia (Note 7)	-	27,267	-	27,267	27,267
Interfund balances	3,082,336	(2,051,817)	(1,030,519)	-	-
	<u>6,240,886</u>	<u>(1,756,768)</u>	<u>(1,030,519)</u>	<u>3,453,599</u>	<u>1,109,924</u>
Net assets	<u>-</u>	<u>1,756,768</u>	<u>1,030,519</u>	<u>2,787,287</u>	<u>2,756,533</u>
	<u>\$ 6,240,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,240,886</u>	<u>\$ 3,866,457</u>

Approved by The Board of Governors:


 _____ Governor
 _____ Governor

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

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	2008	2007
Revenue (Note 6)					
Interest earned on members' trust accounts	\$ 5,562,700	\$ -	\$ -	\$ 5,562,700	\$ 5,379,629
Investment income	156,730	-	23,388	180,118	146,433
Adjustment of financial instruments to fair value (Note 2)	(70,812)	-	-	(70,812)	-
	<u>5,648,618</u>	<u>-</u>	<u>23,388</u>	<u>5,672,006</u>	<u>5,526,062</u>
Expenses					
Education and Administrative Fund (Note 7)	-	2,009,987	-	2,009,987	735,561
Grants Fund	-	-	444,429	444,429	184,553
Legal Services Society of British Columbia	3,158,550	-	-	3,158,550	3,039,334
	<u>3,158,550</u>	<u>2,009,987</u>	<u>444,429</u>	<u>5,612,966</u>	<u>3,959,448</u>
Excess (deficiency) of revenue over (under) expenses	<u>2,490,068</u>	<u>(2,009,987)</u>	<u>(421,041)</u>	<u>59,040</u>	<u>1,566,614</u>
Net assets, beginning of the year	-	1,855,867	900,666	2,756,533	1,189,919
Transfer (to) from Education and Administrative Fund	2,490,068	(154,120)	479,625	2,815,573	2,756,533
	(1,910,888)	1,910,888	-	-	-
Transfer (to) from Grants Fund	(550,894)	-	550,894	-	-
Adjustment on adoption of new financial instruments accounting standard	(28,286)	-	-	(28,286)	-
Net assets, end of year	<u>\$ -</u>	<u>\$ 1,756,768</u>	<u>\$ 1,030,519</u>	<u>\$ 2,787,287</u>	<u>\$ 2,756,533</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	2008	2007
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	\$ 59,040	\$ 1,566,614
Items not involving cash		
Adjustment of financial instruments	99,098	-
Investment income	<u>(180,118)</u>	<u>(146,433)</u>
	(21,980)	1,420,181
Changes in non-cash working capital balances		
Accrued interest receivable	418,285	(350,684)
Prepaid expenses	21,777	(3,383)
Accounts payable and accrued liabilities	<u>2,343,675</u>	<u>393,167</u>
	<u>2,761,757</u>	<u>1,459,281</u>
Investing activities		
Proceeds and distributions from investments	1,219,741	2,912,369
Purchase of investments	<u>(3,484,684)</u>	<u>(3,822,093)</u>
	<u>(2,264,943)</u>	<u>(909,724)</u>
Increase in cash during the year	496,814	549,557
Cash, beginning of year	<u>1,121,676</u>	<u>572,119</u>
Cash, end of year	<u>\$ 1,618,490</u>	<u>\$ 1,121,676</u>

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2008

Financial Instruments Effective July 1, 2007, the Notary Foundation of British Columbia ("the Foundation") classifies its financial instruments as follows:

Held for Trading

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement. The Foundation has designated cash and investments on initial recognition as held for trading. These instruments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and Receivables

The Foundation has classified accounts receivable as loans and receivables. This asset is initially recognized at its fair value and transaction costs are immediately recognized in income. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment.

Other Financial Liabilities

The Foundation has classified accounts payable, accrued liabilities and due from related party as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between parties.

Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment.

Investments

It is the Foundation's mandate to protect capital and invest in well diversified assets to support expenditures made by the Foundation. These assets include Canadian securities such as government and corporate bonds, commercial paper, treasury bills, cash or cash equivalents, and Canadian and foreign equities.

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2008

Revenue Recognition The interest earned on notaries' general trust accounts is calculated 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 notaries' general trust accounts held in financial institutions is recognized by the Foundation on an accrual basis.

The Foundation assumes that all notaries who hold funds in trust for or on account of clients comply strictly with Section 54 of the Notaries Act. Compliance is confirmed by regular annual audit examinations of the notaries' trust accounts.

Investment income includes unrecognized and recognized gains/losses on sale of investments, interest and dividend income. Interest and dividend income is recognized when earned and is allocated on a predetermined basis amongst the funds. Recognized gains/losses on sale of investments are recorded as sale proceeds less the carrying value of the investment and is recognized on the date of settlement.

Unrecognized gains/losses incurred in the year represent changes in the fair market value of the investment and are recorded in net income at the end of each reporting period.

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

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.

New Accounting Pronouncements

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures (Section 1535), Handbook Section 3862, Financial Instruments - Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments - Presentation (Section 3863). These new standards will be effective for the Foundation on July 1, 2008.

Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2008

New Accounting

Pronouncements-Continued Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Foundation is currently assessing the impact of these new standards.

Notary Foundation of British Columbia

Notes to Financial Statements

June 30, 2008

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, and
- contributing to the Special Fund established under Section 20 of the Notaries Act but solely for the purpose of increasing the principal amount of this Fund to \$500,000, as the limit has been reached, the excess amount is transferred to the Legal Services Society of British Columbia.

These financial statements have been prepared on the restricted fund method of accounting for not-for-profit organizations. The Foundation, as a result of its not-for-profit status, is not subject to income taxes.

2. Change In Accounting Policies

Effective July 1, 2007, the Foundation adopted the Canadian Institute of Chartered Accountants' ("CICA") new recommendation for the recognition and measurement of financial instruments and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments-Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosure and Presentation discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The Foundation does not have any transactions which qualify for hedge accounting.

Transactions entered into prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2008

2. Change In Accounting Policies - Continued

Pursuant to the requirements of these financial instruments standards, the Foundation now classifies and recognizes its financial assets and liabilities as described in Significant Accounting Policies under Financial Instruments. Upon adoption the Foundation re-measured its held for trading financial assets at their fair value, and its loans and receivables and other liabilities at their amortized cost. This resulted in an increase to unrestricted net assets and cash and cash equivalents at July 1, 2007 of \$28,286. The effect of the change for the year ended June 30, 2008 was to decrease revenues and excess of revenue over expenditures by \$70,812.

3. Cash

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

4. Investments

Investments are comprised of:

	June 30, 2008	
	Cost	Fair Value
Long-term bonds and debentures	\$ 3,410,480	\$ 3,357,161
Equities	988,650	942,871
	\$ 4,399,130	\$ 4,300,032

	June 30, 2007	
	Cost	Fair Value
Long-term bonds and debentures	\$ 1,575,754	\$ 1,524,189
Equities	406,601	429,880
	\$ 1,982,355	\$ 1,954,069

The Foundation's investments are held through one Canadian investment management company. The bonds and debentures bear interest from 3.000% to 6.282% (2007 - 3.000% to 6.282%) per annum and mature between September 1, 2009 and December 31, 2036.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2008

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:

	2008	2007
Legal Services Society of British Columbia		
Balance, beginning of period	\$ 965,478	\$ 553,574
Earned revenue from General Fund	3,158,550	3,039,334
Payments to Legal Services Society of British Columbia	(965,478)	(2,627,430)
	3,158,550	965,478
 Education, administrative and grant payables	 267,782	 117,179
 Balance, end of the year	 \$ 3,426,332	 \$ 1,082,657

Included in the current education, administrative and grant payables is \$242,782 (2007 - \$107,179) due to the Society of Notaries Public of British Columbia.

6. Allocation of Revenue

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

- a) 50% to be paid to the Legal Services Society of British Columbia.

- b) 5% to be paid to the Special Fund which is administered by the Society of Notaries Public of British Columbia (Note 1). The minimum amount that can be paid to the Special Fund is \$20,000 or 5% as determined by requirements within the Notaries Act. Any excess amounts are to be allocated to the Legal Services Society of British Columbia.

- c) 10% to be used for legal education, legal research and the establishing, operating and maintaining of law libraries in the Province of British Columbia (Grants Fund).

- d) 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 and including, but not more than, three years of Grant costs (the "Foundation Reserve Fund").

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2008

7. Related Party Transactions

The amount of \$27,267 (2007- \$27,267) due to the Society of Notaries Public of British Columbia (the "Society"), an organization with common directors and governors, is unsecured, non-interest bearing and has no specific terms of repayment. The Society has indicated that it will not request payment of the amount within the next fiscal year.

During the year, the Foundation had paid grants in the amount of \$2,009,987 (2007 - \$735,561) to the Society which was used by the Society to fund Education and Continuing Education initiatives as described in Note 6(d) and in accordance with the Governance Agreement and the Notaries Act of British Columbia. The transactions are in the normal course of operations and is measured at its carrying amount.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.