

**Notary Foundation of British Columbia  
Financial Statements  
For the year ended June 30, 2006**

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Financial Statements  
For the year ended June 30, 2006**

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## Auditors' Report

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### 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, 2006 and the Statements of Operations and Changes in Net Assets 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 Foundation as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Dunwoody LLP*

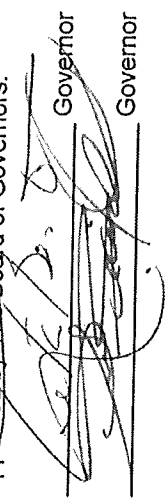
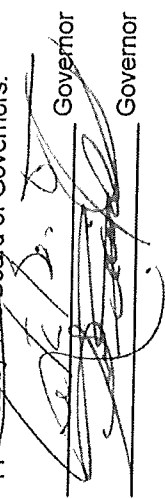
Chartered Accountants

Vancouver, British Columbia  
August 11, 2006

**Notary Foundation of British Columbia**  
Statement of Financial Position

June 30	General Fund	Education and Administrative Fund	Grants Fund	2006	2005
<b>Current Assets</b>					
Cash (Note 2)	\$ 572,119	\$ -	\$ -	\$ 572,119	\$ 290,885
Accounts receivable	389,965	-	-	389,965	180,001
Prepaid expenses	-	18,394	-	18,394	27,119
	962,084	18,394	-	980,478	498,005
<b>Investments (Note 3)</b>	926,198	-	-	926,198	639,957
	<b>\$ 1,888,282</b>	<b>\$ 18,394</b>	<b>\$ -</b>	<b>\$ 1,906,676</b>	<b>\$ 1,137,962</b>
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities (Note 4)	\$ 553,574	\$ 135,916	\$ -	\$ 689,490	\$ 334,991
Interfund balances	1,334,708	(802,095)	(532,613)	-	-
	1,888,282	(666,179)	(532,613)	689,490	334,991
<b>Due to the Society of Notaries Public of British Columbia (Note 6)</b>	-	27,267	-	27,267	27,267
<b>Net assets</b>	-	657,306	532,613	1,189,919	775,704
	<b>\$ 1,888,282</b>	<b>\$ 18,394</b>	<b>\$ -</b>	<b>\$ 1,906,676</b>	<b>\$ 1,137,962</b>

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	2006	2005
<b>Revenues</b>					
Interest earned on members' trust accounts	\$ 3,299,473	-	-	\$ 3,299,473	\$ 1,333,576
Investment income	13,529	-	5,993	19,522	54,330
	<u>3,313,002</u>	<u>-</u>	<u>5,993</u>	<u>3,318,995</u>	<u>1,387,906</u>
<b>Expenses (Note 5)</b>					
Education and Administrative Fund - Schedule Grants Fund	-	901,933	-	901,933	848,486
Legal Services Society of British Columbia	1,825,447	-	177,400	177,400	201,513
Society of Notaries Public of British Columbia - Special Fund	-	-	-	1,825,447	743,348
	<u>1,825,447</u>	<u>901,933</u>	<u>177,400</u>	<u>2,904,780</u>	<u>1,813,347</u>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<u>1,487,555</u>	<u>(901,933)</u>	<u>(171,407)</u>	<u>414,215</u>	<u>(425,441)</u>
<b>Net assets, beginning of the year</b>	-	397,591	378,113	775,704	1,201,145
<b>Transfer (to) from Education and Administrative Fund</b>	1,487,555	(504,342)	206,706	1,189,919	775,704
<b>Transfer (to) from Grants Fund</b>	(1,161,648)	1,161,648	-	-	-
	<u>(325,907)</u>	<u>-</u>	<u>325,907</u>	<u>-</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ 657,306</u>	<u>\$ 532,613</u>	<u>\$ 1,189,919</u>	<u>\$ 775,704</u>

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

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## Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2006

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### Reliance on Interest Earned From Trust Accounts Held With Financial Institutions

The terms of the Notary Foundation of British Columbia ("Foundation")'s mandate obligates notary members to ensure their trust accounts are administered by specified financial institutions ("institutions"). Periodically, these institutions are required to remit interest earned by the trust accounts to the Foundation. The interest rates applied are negotiated with the Institutions by the Foundation and income is recognized based on interest remitted by the respective institutions. Therefore, the Foundation is unable to determine the amount of interest that may be accruing until such time as the amounts are received from the individual financial institutions.

### Financial Instruments

The Notary Foundation of British Columbia's (the "Foundation") financial instruments consist of cash, accounts receivable, investments, accounts payable, accrued liabilities, and amounts owing to/from related parties. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair values of financial instruments with the exception of amounts owing to/from related parties approximate their carrying values due to short term maturities and/or market rate of interest. The fair values of amounts owing to/from related parties are not practical to determine.

### Investments

Investments consist of fixed income and marketable securities and are stated at cost. Where the market value of investments has declined below carrying value for a period which in management's opinion is other than temporary, those investments have been written down to market value.

It is the Foundation's mandate to invest with a view to protect capital risk and well diversified assets which 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.

### Recognition of Revenue

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 a cost basis.

The Notary 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.

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**Notary Foundation of British Columbia  
Summary of Significant Accounting Policies**

**June 30, 2006**

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**Recognition of  
Revenue - continued**      Investment income is recognized on the cost basis.

Recovery of expenses through Foundation activities is recognized on the accrual basis of accounting.

**Recognition of  
Expenses**                      Grants are recorded in the Foundation's accounts in the year of authorization. Liabilities owing to Legal Services Society and Society of Notaries Public of British Columbia (Note 5) have been accrued in the accompanying financial statements. These 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.

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## Notary Foundation of British Columbia Notes to Financial Statements

June 30, 2006

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### 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 corporation which receives funding from interest earned on the pooled Trust Funds of the notaries.

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

- legal education, legal research and legal aid
- 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 entities. The Foundation, as a result of its not-for-profit status, is not subject to income taxes.

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### 2. Cash

The Foundation's cash is held in Canadian chartered banks and a national investment management company. The accounts earn interest at prevailing rates.



**Notary Foundation of British Columbia**  
Notes to Financial Statements

**June 30, 2006**

**3. Investments**

Investments are comprised of:

	June 30, 2006	
	Cost	Market
Bonds and debentures	\$ 319,919	\$ 337,333
Equities	277,518	313,860
Short-term bonds and debentures	328,761	327,063
	\$ 926,198	\$ 978,256
	June 30, 2005	
	Cost	Market
Bonds and debentures	\$ 240,032	\$ 248,009
Equities	291,080	316,931
Short-term bonds and debentures	108,845	108,845
	\$ 639,957	\$ 673,785

**4. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities pertain to the allocation of revenue less expenditures and are comprised of the following:

	2006	2005
Legal Services Society of British Columbia		
Balance, beginning of period	\$ 306,828	\$ 89,701
Earned revenue from General Fund	1,825,447	743,348
Payments to Legal Services Society of British Columbia	(1,578,701)	(526,221)
	553,574	306,828
Education and administrative payables	135,915	28,163
	\$ 689,489	\$ 334,991

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**Notary Foundation of British Columbia**  
**Notes to Financial Statements**

**June 30, 2006**

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**5. Expenses**

Funds received by the Foundation are 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 (see previous paragraph).
- 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 education and continuing education of notaries and notarial applicants and salary and administrative expenses (Education and Administrative Fund). All of these expenses are being advanced by the Society of Notaries Public of British Columbia and accordingly all disbursements from the Education and Administrative Fund are made directly to the Society of Notaries Public of British Columbia.

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**6. Due to the Society of Notaries Public of British Columbia**

The amount due to the Society of Notaries Public of British Columbia 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. Consequently, the amount has been classified as non-current in the accompanying financial statements.

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**Notary Foundation of British Columbia**  
**Notes to Financial Statements**

**June 30, 2006**

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**7. Commitments**

The Foundation has entered into a lease commitment for premises. The minimum annual payments for the next year is \$30,730.

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**8. Statement of Cash Flows**

A cash flow statement is not presented since the cash flow information is readily apparent from other financial statements or is adequately disclosed in the notes to the financial statements.

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**Notary Foundation of British Columbia  
Schedule of Education and Administrative Fund Expenses**

<u>For the year ended June 30</u>	<u>2006</u>	<u>2005</u>
Education and course development	\$ 478,154	\$ 440,066
Equipment rental	7,242	10,007
Government relations	-	7,689
Insurance	11,210	7,303
Magazine, net of cost recovery	69,355	87,924
Miscellaneous	2,537	13,738
Office and supplies	14,940	15,601
Practice advisory	-	2,773
Professional fees	6,680	13,325
Rent and utilities	36,268	32,805
Telephone and communication	33,208	17,398
Travel, meetings and honourariums	55,391	52,464
Wages and benefits	186,948	147,393
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	\$ 901,933	\$ 848,486