

**Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2007**

**Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2007**

Contents

| | |
|--|----------|
| Auditors' Report | 2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Operations and Changes in Net Assets | 4 |
| Summary of Significant Accounting Policies | 5 |
| Notes to Financial Statements | 6 - 8 |
| Schedule of Education and Administrative Fund Expenses | 9 |



BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver BC Canada V6C 3L2
Telephone: (604) 688-5421
Fax: (604) 688-5132
Email: vancouver@bdo.ca
www.bdo.ca

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, 2007 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, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
August 17, 2007

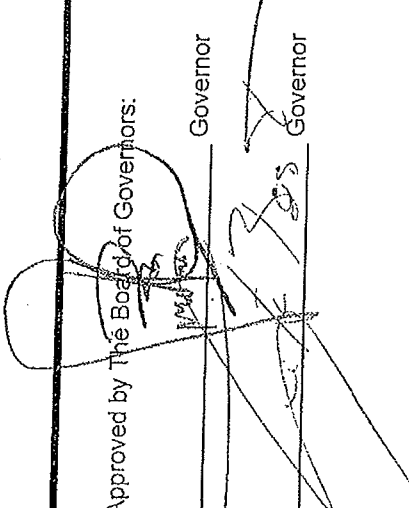
Notary Foundation of British Columbia
Statement of Financial Position

| June 30 | General Fund | Education and Administrative Fund | Grants Fund | 2007 | 2006 |
|---|---------------------|-----------------------------------|-------------|---------------------|---------------------|
| Current Assets | | | | | |
| Cash (Note 2) | \$ 1,121,676 | \$ - | \$ - | \$ 1,121,676 | \$ 572,119 |
| Accrued interest receivable | 740,649 | - | - | 740,649 | 389,965 |
| Prepaid expenses | - | 21,777 | - | 21,777 | 18,394 |
| Investments (Note 3) | 406,601 | - | - | 406,601 | 606,279 |
| | 2,268,926 | 21,777 | - | 2,290,703 | 1,586,757 |
| Investments (Note 3) | 1,575,754 | - | - | 1,575,754 | 319,919 |
| | \$ 3,844,680 | \$ 21,777 | \$ - | \$ 3,866,457 | \$ 1,906,676 |
| Current Liabilities | | | | | |
| Accounts payable and accrued liabilities (Note 4) | \$ 965,478 | \$ 117,179 | \$ - | \$ 1,082,657 | \$ 689,490 |
| Interfund balances | 2,879,202 | (1,978,536) | (900,666) | - | - |
| | 3,844,680 | (1,861,357) | (900,666) | 1,082,657 | 689,490 |
| Net assets | - | 27,267 | - | 27,267 | 27,267 |
| | - | 1,855,867 | 900,666 | 2,756,533 | 1,189,919 |
| | \$ 3,844,680 | \$ 21,777 | \$ - | \$ 3,866,457 | \$ 1,906,676 |

Due to the Society of Notaries Public of British Columbia (Note 6)

Net assets

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 | 2007 | 2006 |
|---|--------------|-----------------------------------|-------------|--------------|--------------|
| Revenue (Note 5) | | | | | |
| Interest earned on members' trust accounts | \$ 5,379,629 | - | - | \$ 5,379,629 | \$ 3,299,473 |
| Investment income | 110,170 | - | 36,263 | 146,433 | 19,522 |
| | 5,489,799 | - | 36,263 | 5,526,062 | 3,318,995 |
| Expenses | | | | | |
| Education and Administrative Fund (Schedule and Note 6) | - | 735,561 | - | 735,561 | 901,933 |
| Grants Fund | - | - | 184,553 | 184,553 | 177,400 |
| Legal Services Society of British Columbia | 3,039,334 | - | - | 3,039,334 | 1,825,447 |
| | 3,039,334 | 735,561 | 184,553 | 3,959,448 | 2,904,780 |
| Excess (deficiency) of revenue over (under) expenses | 2,450,465 | (735,561) | (148,290) | 1,566,614 | 414,215 |
| Net assets, beginning of the year | - | 657,306 | 532,613 | 1,189,919 | 775,704 |
| Transfer (to) from Education and Administrative Fund | 2,450,465 | (78,255) | 384,323 | 2,756,533 | 1,189,919 |
| Transfer (to) from Grants Fund | (1,934,122) | 1,934,122 | - | - | - |
| | (516,343) | - | 516,343 | - | - |
| Net assets, end of year | \$ - | \$ 1,855,867 | \$ 900,666 | \$ 2,756,533 | \$ 1,189,919 |

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

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2007

- 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. The fair values of the investments and market value are disclosed in Note 3.
- 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 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.
- 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 is recognized on the accrual basis.
- 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.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2007

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,
- 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. Cash

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

3. Investments

Investments are comprised of:

| | June 30, 2007 | |
|--------------------------------|----------------------|---------------------|
| | Cost | Market |
| Long-term bonds and debentures | \$ 1,575,754 | \$ 1,535,579 |
| Equities | 406,601 | 429,878 |
| | <u>\$ 1,982,355</u> | <u>\$ 1,965,457</u> |

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2007

3. Investments - Continued

| | June 30, 2006 | |
|---------------------------------|---------------|------------|
| | Cost | Market |
| Long-term 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 |

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

4. 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:

| | 2007 | | 2006 | |
|--|--------------|-------------|---------|--|
| Legal Services Society of British Columbia | | | | |
| Balance, beginning of period | \$ 553,574 | \$ | 306,828 | |
| Earned revenue from General Fund | 3,039,334 | 1,825,447 | | |
| Payments to Legal Services Society of British Columbia | (2,627,430) | (1,578,702) | | |
| | 965,478 | 553,574 | | |
| Education and administrative payables | 117,179 | 135,916 | | |
| Balance, end of the year | \$ 1,082,657 | \$ 689,490 | | |

Included in the current education and administrative payables is \$90,084 (2006 - \$105,915) due to the Society of Notaries Public of British Columbia.

5. Allocation of Revenue

Revenue earned by the Foundation is to be disbursed as follows:

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

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2007

5. Allocation of Revenue - Continued

- 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 education and continuing education of notaries and notarial applicants (the "Education and Administrative Fund"). The Foundation provides an annual grant to 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").

6. Related Party Transactions

The amount of \$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. Consequently, the amount has been classified as non-current in the accompanying financial statements.

During the year, the Foundation had paid a grant in the amount of \$735,561 (2006 - \$901,933) to the Society which was used by the Society to fund Education and Continuing Education initiatives as mentioned in Note 5(d). The transactions are in the normal course of operations and is measured at its carrying amount.

7. 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.

8. Comparative Figures

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

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

| <u>For the year ended June 30</u> | <u>2007</u> | <u>2006</u> |
|-----------------------------------|-------------------|-------------------|
| Education and course development | \$ 263,779 | \$ 478,154 |
| Equipment rental | 7,483 | 7,242 |
| Government relations | 925 | - |
| Insurance | 9,278 | 11,210 |
| Magazine, net of cost recovery | 106,958 | 69,355 |
| Miscellaneous | 6,392 | 2,537 |
| Office and supplies | 33,706 | 14,940 |
| Professional fees | 21,449 | 6,680 |
| Rent and utilities | 38,540 | 36,268 |
| Telephone and communication | 23,637 | 33,208 |
| Travel, meetings and honourariums | 40,340 | 55,391 |
| Wages and benefits | 183,074 | 186,948 |
| | <u>\$ 735,561</u> | <u>\$ 901,933</u> |