

**Notary Foundation of British Columbia**  
**Financial Statements**  
**For the year ended June 30, 2005**

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For the year ended June 30, 2005

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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, 2005 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.

Except as explained in the following paragraph, 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.

The Foundation derives revenue from interest earned on members' trust funds held by various banks and credit unions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to interest earned on members' trust accounts, excess of revenues over expenses, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the interest earned on members' trust accounts referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2005 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 5, 2005

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

June 30	General Fund	Education and Administrative Fund	Grants Fund	2005	2004
<b>Current Assets</b>					
Cash (Note 2)	\$ 290,885	\$ -	\$ -	\$ 290,885	\$ 161,449
Accounts receivable	180,001	-	-	180,001	107,497
Prepaid expenses	-	27,119	-	27,119	27,330
	470,886	27,119	-	498,005	296,276
<b>Investments (Note 3)</b>					
Due from the Society of Notaries Public of British Columbia	639,957	-	-	639,957	992,678
	-	-	-	-	18,454
	<b>\$ 1,110,843</b>	<b>\$ 27,119</b>	<b>\$ -</b>	<b>\$ 1,137,962</b>	<b>\$ 1,307,408</b>
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities (Note 4)	\$ 306,828	\$ 28,163	\$ -	\$ 334,991	\$ 106,263
Due to (from) Grants Fund	804,015	(425,902)	(378,113)	-	-
	1,110,843	(397,739)	(378,113)	334,991	106,263
<b>Due to the Society of Notaries Public of British Columbia (Note 6)</b>					
	-	27,267	-	27,267	-
<b>Net assets</b>					
	-	397,591	378,113	775,704	1,201,145
	<b>\$ 1,110,843</b>	<b>\$ 27,119</b>	<b>\$ -</b>	<b>\$ 1,137,962</b>	<b>\$ 1,307,408</b>

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	2005	2004
<b>Revenues</b>					
Interest earned on members' trust accounts	\$ 1,333,576	\$ -	\$ -	\$ 1,333,576	\$ 1,438,297
Investment income	35,777	-	18,553	54,330	53,232
	1,369,353	-	18,553	1,387,906	1,491,529
<b>Expenses (Note 5)</b>					
Education and Administrative Fund - Schedule Grants Fund	-	848,486	-	848,486	852,619
Legal Services Society of British Columbia	-	-	201,513	201,513	125,400
Society of Notaries Public of British Columbia - Special Fund	743,348	-	-	743,348	800,341
	20,000	-	-	20,000	20,000
	763,348	848,486	201,513	1,813,347	1,798,360
<b>Excess of revenue over expenses (expenses over revenue)</b>	606,005	(848,486)	(182,960)	(425,441)	(306,831)
<b>Net assets, beginning of the year</b>	-	760,310	440,835	1,201,145	1,507,976
<b>Transfer (to) from Education and Administrative Fund</b>	606,005	(88,176)	257,875	775,704	1,201,145
<b>Transfer (to) from Grants Fund</b>	(485,767)	485,767	-	-	-
	(120,238)	-	120,238	-	-
<b>Net assets, end of year</b>	\$ -	\$ 397,591	\$ 378,113	\$ 775,704	\$ 1,201,145

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, 2005

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**Financial Instruments** The Notary Foundation of British Columbia's ("the Foundation") financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities. 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.

Due to the current nature of these financial instruments, their carrying value approximates their fair market value.

**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, and 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 an accrual 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.

Investment income and recovery of expenses through Foundation activities is recognized also, 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.

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

**June 30, 2005**

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**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, 2005

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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, any excess amount is transferred to the Contingency Fund of the Society.

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 nominal rates.



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

**June 30, 2005**

**3. Investments**

Investments are comprised of:

	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
	<b>\$ 639,957</b>	<b>\$ 673,785</b>

	June 30, 2004	
	Cost	Market
Bonds and debentures	\$ 464,212	\$ 458,648
Equities	334,396	368,608
Short-term bonds and debentures	194,070	199,543
	<b>\$ 992,678</b>	<b>\$ 1,026,799</b>

**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:

	2005		2004	
Legal Services Society				
Balance, beginning of period	\$ 89,701	\$	98,142	\$
Earned revenue from General Fund	743,348	\$	800,341	\$
Payments to Legal Services Society	(526,221)	-	(808,782)	-
	<b>306,828</b>		<b>89,701</b>	
Education and administrative payables	28,163		16,562	
Balance, end of the year	<b>\$ 334,991</b>	<b>\$</b>	<b>106,263</b>	<b>\$</b>

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

**June 30, 2005**

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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 (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 and Note 6).
- 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, 2005**

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**7. Commitments**

The Foundation has entered into a lease commitment for premises. The minimum annual payments for the next two years are as follows:

2006	\$	33,524
2007	\$	30,730

The Foundation has agreed to pay a grant to the University of Victoria, Faculty of Law, in the amount of \$25,000 for the 2006 fiscal year.

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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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**9. Comparative Figures**

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

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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>2005</u>	<u>2004</u>
Education and course development	\$ 440,066	\$ 444,101
Equipment rental	10,007	12,873
Government relations	7,689	49,018
Insurance	7,303	280
Magazine, net of cost recovery	87,924	87,707
Miscellaneous	13,738	1,880
Office and supplies	15,601	19,443
Practice advisory	2,773	1,301
Professional fees	13,325	11,025
Rent and utilities	32,805	30,001
Telephone and communication	17,398	16,574
Travel, meetings and honourariums	52,464	44,677
Wages and benefits	147,393	133,739
	<hr/> <b>\$ 848,486</b>	<hr/> <b>\$ 852,619</b>