

**Notary Foundation of British Columbia
Financial Statements
For the periods ended June 30, 2004 and 2003**

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For the periods ended June 30, 2004 and 2003**

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Driving growth

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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, 2004 and 2003 and the Statements of Operations and Changes in Net Assets for the periods 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, 2004 and 2003 and the results of its operations for the periods then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported upon by another firm of chartered accountants. Their report covered the year ended May 31, 2003, contained no reservations and was dated July 12, 2003.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
August 6, 2004

Notary Foundation of British Columbia
Statement of Financial Position

	General Fund	Education and Administrative Fund	Grants Fund	June 30, 2004	June 30, 2003	May 31, 2003
Current Assets						
Cash	\$ 161,449	\$ -	\$ -	\$ 161,449	\$ 287,580	\$ 215,833
Accounts receivable	107,497	-	-	107,497	86,280	130,462
Prepaid expenses	-	27,330	-	27,330	3,800	1,000
	268,946	27,330	-	296,276	377,660	347,295
Investments (Note 4)						
Due from the Society of Notaries Public of British Columbia (Note 8)	992,678	-	-	992,678	1,252,696	1,399,894
	-	18,454	-	18,454	-	-
	\$ 1,261,624	\$ 45,784	\$ -	\$ 1,307,408	\$ 1,630,356	\$ 1,747,189

Current Liabilities						
Accounts payable and accrued liabilities (Note 5)	\$ 89,701	\$ 16,562	\$ -	\$ 106,263	\$ 122,385	\$ 205,607
Due to (from) other funds	1,171,923	(731,088)	(440,835)	-	-	-
	1,261,624	(714,526)	(440,835)	106,263	122,385	205,607
Net assets						
	\$ 1,261,624	\$ 45,784	\$ -	\$ 1,307,408	\$ 1,630,356	\$ 1,747,189

Approved by The Board of Governors:


 _____ Governor

 _____ Governor

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

For the periods ended	General Fund	Education and Administrative Fund	Grants Fund	June 30, 2004 (12 months)	June 30, 2003 (1 month)	May 31, 2003 (12 months)
Revenues						
Interest earned on members' trust accounts	\$ 1,438,297	\$ -	\$ -	\$ 1,438,297	\$ 84,477	\$ 801,211
Investment income	39,389	-	13,843	53,232	11,332	29,671
	1,477,686	-	13,843	1,491,529	95,809	830,882
Expenses (Note 6)						
Education and Administrative Fund - Schedule 1 Grants Fund	-	852,619	-	852,619	76,724	520,126
Legal Services Society of British Columbia	800,341	-	125,400	125,400	-	157,482
Society of Notaries Public of British Columbia - Special Fund	20,000	-	-	800,341	52,696	436,987
	820,341	852,619	125,400	1,798,360	129,420	1,134,595
Excess of (expenses over revenue) revenue over expenses	657,345	(852,619)	(111,557)	(306,831)	(33,611)	(303,713)
Net assets, beginning of the period, before adjustment	-	1,090,894	417,082	1,507,976	1,541,582	1,815,249
Change in accounting policy (Note 2)						30,046
Net assets, beginning of the period, restated	-	1,090,894	417,082	1,507,976	1,541,582	1,845,295
Transfer (to) from Education and Administrative Fund	657,345	238,275	305,525	1,201,145	1,507,971	1,541,582
	(522,035)	522,035	-	-	-	-
Transfer (to) from Grants Fund	(135,310)	-	135,310	-	-	-
Net assets, end of period	\$ -	\$ 760,310	\$ 440,835	\$ 1,201,145	\$ 1,507,971	\$ 1,541,582

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2004 and 2003

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.

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 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 6) 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.

Notary Foundation of British Columbia

Notes to Financial Statements

June 30, 2004 and 2003

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.

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.

During the year the Foundation changed its fiscal year end to June 30 from May 31 to coincide with the year end of Society of Notaries Public of British Columbia.

2. Change in Accounting Policy

Due to a change in the accounting policy to use the accrual method for the recognition of interest income on members' trust funds, there was a restatement of the prior year's opening net assets at May 31, 2003, increasing the net assets by \$30,046. The effect of this change in policy on the operating results for the period ended May 31, 2003 was to increase revenue by \$59,153. This increase was offset by an increase in the amount allocated to Legal Services by \$35,677. The net change decreased the excess expenses over revenue by \$23,476 and increased the net assets by the same.

There was an additional adjustment to the expenses for the year and the prepaid expense relating to a province wide educational program that was developed for notaries because of government changes to conveyance practice and the new electronic registration system introduced by the provincial land title office. As a result, prepaid expenses decreased by \$67,150, excess of expenses over revenue increased by the same.

The net effect of these adjustments was to increase the previously reported excess of expenses over revenue from \$260,039 to \$303,713.

3. 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, 2004 and 2003

4. Investments

Investments are comprised of:

	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
	\$ 992,678	\$ 1,026,799

	June 30, 2003	
	Cost	Market
Bonds and debentures	\$ 817,704	\$ 834,206
Equities	335,757	312,765
Short-term bonds and debentures	99,235	97,771
	\$ 1,252,696	\$ 1,244,742

	May 31, 2003	
	Cost	Market
Bonds and debentures	\$ 918,939	\$ 931,153
Equities	333,021	306,151
Short-term bonds and debentures	147,934	149,967
	\$ 1,399,894	\$ 1,387,271

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2004 and 2003

5. Accounts Payable and Accrued Liabilities

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

	June 30, 2004	June 30, 2003	May 31, 2003
Legal Services Society			
Balance, beginning of period	\$ 98,142	\$ 184,626	\$ 259,980
Earned revenue from General Fund	800,341	52,696	436,987
Payments to Legal Services Society	(808,782)	(139,180)	(512,341)
	89,701	98,142	184,626
Education and administrative payables	16,562	24,243	20,981
Balance, end of the year	\$ 106,263	\$ 122,385	\$ 205,607

6. 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 7).
- 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.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2004 and 2003

7. Grants Fund

Within the Grants Fund is a Scholarship, Bursaries and Awards Fund which is comprised of the following:

	June 30, 2004	June 30, 2003	May 31, 2003
Balance, beginning of year	\$ 353,752	\$ 351,213	\$ 345,648
Interest earned on funds	13,843	2,539	5,565
Balance, end of year	<u>\$ 367,595</u>	<u>\$ 353,752</u>	<u>\$ 351,213</u>

8. Due from the Society of Notaries Public of British Columbia

The amount due from the Society of Notaries Public of British Columbia is unsecured, non-interest bearing and has no specific terms of repayment. The Foundation 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.

9. Commitments

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

2005	\$	32,533
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 per year for the next two years.

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

June 30, 2004 and 2003

10. 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.

11. 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**

For the periods ended	June 30, 2004	June 30, 2003	May 31, 2003
	(12 months)	(1 month)	(12 months)
Education and course development	\$ 444,101	\$ 9,786	\$ 178,768
Equipment rental	12,278	787	9,554
Insurance	280	345	1,624
Magazine, net of cost recovery	87,707	9,007	85,317
Miscellaneous	2,475	95	1,735
Office and supplies	19,443	2,521	14,539
Practice advisory	1,301	-	14,919
Professional fees	11,025	2,628	5,671
Rent and utilities	30,001	2,913	27,889
Task force	49,018	24,207	-
Telephone and communication	16,574	2,165	13,135
Travel, meetings and honourariums	44,677	11,071	40,852
Wages and benefits	133,739	11,199	126,123
	\$ 852,619	\$ 76,724	\$ 520,126