

**Notary Foundation of British Columbia  
Financial Statements  
For the year ended June 30, 2017**

**Notary Foundation of British Columbia  
Financial Statements  
For the year ended June 30, 2017**

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**Contents**

|   |          |
|---|----------|
| <b>Independent Auditors' Report</b>               | <b>2</b> |
| <b>Financial Statements</b>                       |          |
| Statement of Financial Position                   | 3        |
| Statement of Operations and Changes in Net Assets | 4        |
| Statement of Cash Flows                           | 5        |
| Notes to Financial Statements                     | 6 - 11   |



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## Independent Auditor's Report

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### To the Members of the Notary Foundation of British Columbia

We have audited the accompanying financial statements of the Notary Foundation of British Columbia which comprise the Statement of Financial Position as at June 30, 2017 and the Statement of Operations and Changes in Net Assets and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Notary Foundation of British Columbia as at June 30, 2017, and the results of its operations and its cash flows for the years ended are prepared in accordance with Canadian standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
September 7, 2017

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

| June 30   | General Fund        | Education and Administrative Fund | Grants Fund | 2017                | 2016                |
|---|---------------------|-----------------------------------|-------------|---------------------|---------------------|
| <b>Current Assets</b>                             |                     |                                   |             |                     |                     |
| Cash (Note 2)                                     | \$ 895,249          | \$ -                              | \$ -        | \$ 895,249          | \$ 521,577          |
| Accounts receivable                               | 186,751             | -                                 | -           | 186,751             | 191,330             |
| Short term investments (Note 3)                   | 633,268             | -                                 | -           | 633,268             | 825,252             |
|   | 1,715,268           | -                                 | -           | 1,715,268           | 1,538,159           |
| <b>Long term investments (Note 4)</b>             | 1,464,667           | -                                 | -           | 1,464,667           | 1,691,567           |
|   | <b>\$ 3,179,935</b> | <b>\$ -</b>                       | <b>\$ -</b> | <b>\$ 3,179,935</b> | <b>\$ 3,229,726</b> |
| <b>Current Liabilities</b>                        |                     |                                   |             |                     |                     |
| Accounts payable and accrued liabilities (Note 5) | \$ 867,445          | \$ 552,011                        | \$ 9,540    | \$ 1,428,996        | \$ 1,413,127        |
| Due to (from) other funds                         | 2,312,490           | (1,726,395)                       | (586,095)   | -                   | -                   |
|   | 3,179,935           | (1,174,384)                       | (576,555)   | 1,428,996           | 1,413,127           |
| <b>Net assets</b>                                 | -                   | 1,174,384                         | 576,555     | 1,750,939           | 1,816,599           |
|   | <b>\$ 3,179,935</b> | <b>\$ -</b>                       | <b>\$ -</b> | <b>\$ 3,179,935</b> | <b>\$ 3,229,726</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       | 2017                | 2016                |
|---|------------------|-----------------------------------|-------------------|---------------------|---------------------|
| <b>Revenue (Note 6)</b>                                     |                  |                                   |                   |                     |                     |
| Interest earned on members' trust accounts                  | \$ 1,433,511     | \$ -                              | \$ -              | \$ 1,433,511        | \$ 1,461,426        |
| Investment income   | 83,585           | -                                 | -                 | 83,585              | 88,555              |
|   | <b>1,517,096</b> | <b>-</b>                          | <b>-</b>          | <b>1,517,096</b>    | <b>1,549,981</b>    |
| <b>Expenses</b>   |                  |                                   |                   |                     |                     |
| Education and administrative fund grant (Note 7)            | -                | 552,011                           | -                 | 552,011             | 545,855             |
| Grants issued   | -                | -                                 | 163,300           | 163,300             | 148,423             |
| Legal Services Society of British Columbia (Note 5)         | 867,445          | -                                 | -                 | 867,445             | 857,772             |
|   | <b>867,445</b>   | <b>552,011</b>                    | <b>163,300</b>    | <b>1,582,756</b>    | <b>1,552,050</b>    |
| <b>Revenue over (under) expenses</b>                        | <b>649,651</b>   | <b>(552,011)</b>                  | <b>(163,300)</b>  | <b>(65,660)</b>     | <b>(2,069)</b>      |
| <b>Net assets, beginning of the year</b>                    | <b>-</b>         | <b>1,234,461</b>                  | <b>582,138</b>    | <b>1,816,599</b>    | <b>1,818,668</b>    |
| <b>Transfer (to) from Education and Administrative Fund</b> | <b>(491,934)</b> | <b>491,934</b>                    | <b>-</b>          | <b>-</b>            | <b>-</b>            |
| <b>Transfer (to) from Grants Fund</b>                       | <b>(157,717)</b> | <b>-</b>                          | <b>157,717</b>    | <b>-</b>            | <b>-</b>            |
| <b>Net assets, end of year</b>                              | <b>\$ -</b>      | <b>\$ 1,174,384</b>               | <b>\$ 576,555</b> | <b>\$ 1,750,939</b> | <b>\$ 1,816,599</b> |

The accompanying notes form an integral part of these financial statements.

**Notary Foundation of British Columbia**  
**Statement of Cash Flows**

| <u>For the year ended June 30</u>            | <u>2017</u>              | <u>2016</u>              |
|--|--------------------------|--------------------------|
| <b>Cash provided by (used in)</b>            |                          |                          |
| <b>Operating activities</b>                  |                          |                          |
| Revenue under expenses                       | \$ (65,660)              | \$ (2,069)               |
| Item not involving cash                      |                          |                          |
| Unrealized loss on investments               | <u>60,077</u>            | <u>9,517</u>             |
|  | (5,583)                  | 7,448                    |
| Changes in non-cash working capital balances |                          |                          |
| Accounts receivable                          | 4,579                    | (56,174)                 |
| Accounts payable and accrued liabilities     | <u>15,869</u>            | <u>202,812</u>           |
|  | 14,865                   | 154,086                  |
| <b>Investing activity</b>                    |                          |                          |
| Disposal (purchase) of investments, net      | <u>358,807</u>           | <u>(95,191)</u>          |
| <b>Increase in cash during the year</b>      | <b>373,672</b>           | <b>58,895</b>            |
| <b>Cash, beginning of year</b>               | <u><b>521,577</b></u>    | <u><b>462,682</b></u>    |
| <b>Cash, end of year</b>                     | <u><b>\$ 895,249</b></u> | <u><b>\$ 521,577</b></u> |

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# Notary Foundation of British Columbia

## Notes to the Financial Statements

June 30, 2017

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### 1. Significant Accounting Policies

#### a) Purpose

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 a tax exempt body under Section 149 of the Income Tax Act.

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

#### b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

#### c) Fund Accounting

These financial statements have been prepared on the restricted fund method of accounting for not-for-profit organizations.

#### d) Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market as well as bonds are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and capitalized to the financial instrument for those measured at amortized cost.

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

June 30, 2017

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**1. Significant Accounting Policies - Continued**

e) Revenue Recognition

The interest earned on members' trust accounts is calculated net of bank charges 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 and therefore are not included in the Foundation's Statement of Financial Position. The interest earned on members' trust accounts held in financial institutions is recognized by the Foundation on an accrual basis when collection is reasonably estimated and assured.

Investment income includes gains and losses on sale of investments, interest and dividend income and gains or losses resulting from changes in the fair market value of investments. Interest and dividend income is recognized when earned and is allocated on a predetermined basis amongst the funds.

f) Grants Issued

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

g) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

h) Foreign Currency Translations

The Foundation's functional and reporting currency is the Canadian dollar. Foreign currency transactions are translated at the rates of exchange prevailing at the time of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on translation of monetary assets and liabilities are included in the statement of operations and Changes in net assets.

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

**June 30, 2017**

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**2. Cash**

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

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**3. Short-term Investments**

Investments are comprised of:

|                   | <u>2017</u>         | <u>2016</u>         |
|-------------------|---------------------|---------------------|
|                   | <u>Market Value</u> | <u>Market Value</u> |
| Foreign equities  | \$ 96,078           | \$ 121,376          |
| Canadian equities | 481,509             | 568,039             |
| Cash              | 55,681              | 135,837             |
|                   | <u>\$ 633,268</u>   | <u>\$ 825,252</u>   |

The Foundation's investments are held through one Canadian investment management company.

Equities are classified as short-term investments as they are revolving equities. The foreign equities are translated to Canadian from USD at year end rate as at June 30, 2017.

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**4. Long-term Investments**

|                  | <u>2017</u>         | <u>2016</u>         |
|------------------|---------------------|---------------------|
|                  | <u>Market Value</u> | <u>Market Value</u> |
| Corporate bonds  | \$ 464,537          | \$ 671,811          |
| Government bonds | 1,000,130           | 1,019,756           |
|                  | <u>\$ 1,464,667</u> | <u>\$ 1,691,567</u> |

The corporate bonds bear interest from 2.58% to 6.22% (2016 - 2.58% to 4.80%) per annum and mature between May 7, 2019 and March 30, 2027. The government bonds bear interest from 2.55% to 6.40% (2016 - 2.55% to 5.70%) per annum and mature between July 28, 2020 and June 18, 2037.

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

**June 30, 2017**

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**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:

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Legal Services Society of British Columbia             |                     |                     |
| Balance, beginning of period                           | \$ 857,772          | \$ 737,256          |
| Revenue allocated from General Fund (Note 6a)          | 867,445             | 857,772             |
| Payments to Legal Services Society of British Columbia | <u>(857,772)</u>    | <u>(737,256)</u>    |
| General fund payables                                  | 867,445             | 857,772             |
| Education and administrative fund payables             | 552,011             | 545,855             |
| Grant fund payables                                    | <u>9,540</u>        | <u>9,500</u>        |
| Balance, end of the year                               | <u>\$ 1,428,996</u> | <u>\$ 1,413,127</u> |

Included in the current education, administrative and grant payables is \$552,011 (2016 - \$545,855) due to the Society of Notaries Public of British Columbia (Note 7).

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**6. Allocation and disbursements of Revenue**

Unrestricted contributions and realized (including investment income) earned by the Foundation must be disbursed as follows:

- a) 55% to be paid to the Legal Services Society of British Columbia.
- b) 10% of the remaining net income to be used for legal education, legal research and the establishing, operating and maintaining of law libraries in the Province of British Columbia (the "Grants Fund"). Grant Funds are recognized as payable once approved by the Board of Governors.
- c) 35% of the remaining net income 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.

**June 30, 2017**

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**7. Related Party Transactions**

During the year, the Foundation had accrued grants in the amount of \$552,011 (2016 - \$545,855) to the Society which was used by the Society to fund Education and Continuing Education initiatives as described in Note 6(c) which includes salary, administrative, education and continuing education of notaries and notarial applicants in accordance with the Governance Agreement and the Notaries Act of British Columbia. The transactions are in the normal course of operations and are measured at their carrying amount.

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**8. Financial Instruments Risks**

The Foundation, through its financial assets and liabilities, is exposed to various risks. The Foundation has in place an investment policy for the purpose of reducing these risks through prudent management of the portfolio. The following analysis provides a measurement of those risks at June 30, 2017. There have been no significant changes to these risks from the prior year.

(a) Credit and Market Risk

Credit risk is the risk that The Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash, short-term investments, investments and accrued interest receivable. Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Foundation limits its exposure to credit risk by placing its cash, short-term investments and long-term investments with high credit quality governments, financial institutions, corporations and Canadian and foreign equities in accordance with investment policies adopted by the Foundation. Risk and volatility of investment returns are mitigated through the diversification of investments in different geographic regions and different investment vehicles.

(b) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has limited exposure to foreign exchange risk as 97% of all financial instruments are denominated in Canadian dollars. As at June 30, 2017, investments included \$96,079 of US Stocks (denominated in Canadian dollars) (2016 - \$121,376) and cash of US of \$21,834 (denominated in Canadian dollars) (2016 - \$51,071).

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash, short-term investments, and investments are as disclosed in Notes 2, 3, and 4.

June 30, 2017

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8. Financial Instruments Risks - Continued

(d) Liquidity Risk

Liquidity risk is the risk that The Foundation will not be able to meet its obligations as they fall due. The Foundation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Investments are also held in securities that can be liquidated within a few days notice.