

**Notary Foundation of British Columbia**  
**Financial Statements**  
**For the year ended June 30, 2018**

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**Financial Statements**  
For the year ended June 30, 2018

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## Independent Auditors' 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, 2018 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



## Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied to the financial statements, on a basis consistent with that of the preceding year.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
August 24, 2018

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

June 30	General Fund	Education and Administrative Fund	Grants Fund	2018	2017
<b>Current Assets</b>					
Cash (Note 2)	\$ 2,072,583	\$ -	\$ -	\$ 2,072,583	\$ 950,930
Interest receivable	284,565	-	-	284,565	186,751
Short term investments (Note 3)	632,961	-	-	632,961	577,587
	2,990,109	-	-	2,990,109	1,715,268
<b>Long term investments (Note 4)</b>					
	1,486,808	-	-	1,486,808	1,464,667
	<b>\$ 4,476,917</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,476,917</b>	<b>\$ 3,179,935</b>
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities (Note 5)	\$ 1,663,128	\$ 1,058,354	\$ 43,143	\$ 2,764,625	\$ 1,428,996
Interfund balances	2,813,789	(2,178,173)	(635,616)	-	-
	4,476,917	(1,119,819)	(592,473)	2,764,625	1,428,996
<b>Net assets</b>	<b>-</b>	<b>1,119,819</b>	<b>592,473</b>	<b>1,712,292</b>	<b>1,750,939</b>
	<b>\$ 4,476,917</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,476,917</b>	<b>\$ 3,179,935</b>

Approved by The Board of Governors:

 Governor  
 Governor

The accompanying 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	2018	2017
<b>Revenue</b>					
Interest earned on members' trust accounts	\$ 2,914,332	\$ -	\$ -	\$ 2,914,332	\$ 1,433,511
Investment income	54,972	-	-	54,972	83,585
	<u>2,969,304</u>	-	-	<u>2,969,304</u>	<u>1,517,096</u>
<b>Expenses</b>					
Education and administrative fund grant (Note 6)	-	1,058,354	-	1,058,354	552,011
Distribution to Society	-	-	286,469	286,469	163,300
Legal Services Society of British Columbia (Note 5)	1,663,128	-	-	1,663,128	867,445
	<u>1,663,128</u>	<u>1,058,354</u>	<u>286,469</u>	<u>3,007,951</u>	<u>1,582,756</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>1,306,176</b>	<b>(1,058,354)</b>	<b>(286,469)</b>	<b>(38,647)</b>	<b>(65,660)</b>
<b>Net assets, beginning of the year</b>	<b>-</b>	<b>1,174,384</b>	<b>576,555</b>	<b>1,750,939</b>	<b>1,816,599</b>
<b>Interfund transfers</b>	<b>(1,306,176)</b>	<b>1,003,789</b>	<b>302,387</b>	<b>-</b>	<b>-</b>
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,119,819</b>	<b>\$ 592,473</b>	<b>\$ 1,712,292</b>	<b>\$ 1,750,939</b>

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

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

For the year ended June 30	2018	2017
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (38,647)	\$ (65,660)
Items not involving cash		
Unrealized loss on investments	54,565	60,077
Realized gain on investments	<u>(56,130)</u>	<u>(80,344)</u>
	(40,212)	(85,927)
Changes in non-cash working capital balances		
Accounts receivable	(97,814)	4,579
Accounts payable and accrued liabilities	<u>1,335,629</u>	<u>15,869</u>
	1,197,603	(65,479)
<b>Investing activity</b>		
Disposal (purchase) of investments, net	<u>(75,950)</u>	358,995
<b>Increase in cash during the year</b>	1,121,653	293,516
<b>Cash, beginning of year</b>	<u>950,930</u>	<u>657,414</u>
<b>Cash, end of year</b>	<u>\$ 2,072,583</u>	<u>\$ 950,930</u>

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# Notary Foundation of British Columbia

## Notes to the Financial Statements

June 30, 2018

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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. During the year, the Society continued as a member funded society under the Societies 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.

#### c) Fund Accounting

These financial statements have been prepared on the restricted fund method of accounting for not-for-profit entities. Revenue is recognized in the following funds using the restricted fund method:

*General Fund* - used for legal aid and paid to the Legal Services Society of British Columbia.

*Education and Administration Fund* - used for salary, administrative, education and continuing education of notaries and notarial applicants.

*Grants Fund* - used for legal education, legal research, and establishing, operating and maintaining of law libraries in the Province of British Columbia.

#### 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 any. Financial assets carried at cost or amortized cost 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 subsequently measured at fair value and included in the original cost of the financial instrument for those subsequently measured at amortized cost.

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

June 30, 2018

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**1. Significant Accounting Policies - Continued**

e) Revenue Recognition

The interest earned on Notary Society of BC 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 or presented on 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 the amount can be reasonably estimated and collection is reasonably assured (Note 1 (f)).

Investment income includes gains and losses on sale of investments, interest and dividend income and gains or losses resulting from changes in the fair value of investments. Interest and dividend income is recognized when earned and is allocated on a predetermined basis amongst the funds as described in Note 1 (f).

f) Allocation and disbursements of revenue

All revenue (including investment income) earned by the Foundation must be disbursed in accordance with the Notaries Act of British Columbia 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 salaries and administration of the Foundation as well as education and continuing education of notaries and notarial applicants (the "Education and Administrative Fund"). The Foundation allocates this amount to the Society of Notaries Public of British Columbia (the "Society") to fund administrative costs, as well as 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.

g) Use of Estimates

The preparation of financial statements 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 the Financial Statements**

**June 30, 2018**

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**1. Significant Accounting Policies - Continued**

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 reporting 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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**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>2018</u>	<u>2017</u>
	<u>Market Value</u>	<u>Market Value</u>
Foreign equities	\$ 195,751	\$ 96,078
Canadian equities	437,210	481,509
	<u>\$ 632,961</u>	<u>\$ 577,587</u>

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

Equities are classified as short-term investments as they are in highly liquid regularly traded listed entities. The foreign equities are translated to Canadian from USD at exchange rate in effect at the reporting date.

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

June 30, 2018

**4. Long-term Investments**

	<u>2018</u> Market Value	<u>2017</u> Market Value
Corporate bonds	\$ 445,861	\$ 464,537
Government bonds	<u>1,040,947</u>	<u>1,000,130</u>
	<u>\$ 1,486,808</u>	<u>\$ 1,464,667</u>

The corporate bonds bear interest at rates ranging from 2.33% to 6.22% (2017 - 2.58% to 6.22%) per annum and mature between April 9, 2020 and May 19, 2026. The government bonds bear interest at rates ranging from 2.55% to 6.40% (2017 - 2.55% to 6.40%) per annum and mature between October 22, 2020 and June 18, 2042.

**5. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities pertain to the allocation of revenue from the General Fund as described in Note 1(f), less payments and are comprised of the following:

	<u>2018</u>	<u>2017</u>
General fund		
Balance, beginning of period	\$ 867,445	\$ 857,772
Revenue allocated to the Legal Services Society of British Columbia	1,663,128	867,445
Payments to Legal Services Society of British Columbia	<u>(867,445)</u>	<u>(857,772)</u>
General fund payables	1,663,128	867,445
Education and administrative fund	1,058,354	552,011
Grant fund	<u>43,143</u>	<u>9,540</u>
Balance, end of the year	<u>\$ 2,764,625</u>	<u>\$ 1,428,996</u>

The amount payable by the education and administrative fund of \$1,058,354 (2017 - \$552,011) is due to the Society of Notaries Public of British Columbia (Note 6).

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## Notary Foundation of British Columbia Notes to Financial Statements

June 30, 2018

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### 6. Related Party Transactions

During the year, the Foundation provided grants in the aggregate amount of \$1,058,354 (2017 - \$552,011) to the Society which was used by the Society to fund salaries and administrative costs of the Foundation as well as Education and Continuing Education initiatives as described in Note 1 (c), 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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### 7. 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, 2018. 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 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% (2017 - 97%) of all financial instruments are denominated in Canadian dollars. As at June 30, 2018, investments included \$195,751 of US Stocks (denominated in Canadian dollars) (2017 - \$96,079) and cash of US of \$6,976 (denominated in Canadian dollars) (2017 - \$21,834).

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

June 30, 2018

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**7. Financial Instruments Risks - Continued**

(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, and investments are as disclosed in Notes 2, 3 and 4.

(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.

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**8. Comparative Figures**

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