

**Notary Foundation of British Columbia
Financial Statements
For the year ended June 30, 2009**

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Financial Statements
For the year ended June 30, 2009**

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Auditors' Report

To the Members of the Notary Foundation of British Columbia

We have audited the Statements of Financial Position of the Notary Foundation of British Columbia as at June 30, 2009 and the Statement of Operations and Changes in Net Assets and Cash Flows 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 Notary Foundation of British Columbia as at June 30, 2009, the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
August 14, 2009

Notary Foundation of British Columbia
Statement of Financial Position

June 30	General Fund	Education and Administrative Fund	Grants Fund	2009	2008
Current Assets					
Cash (Note 2)	\$ 522,186	\$ -	\$ -	\$ 522,186	\$ 1,618,490
Accrued interest receivable	104,788	-	-	104,788	322,364
Short term investments (Note 3)	399,043	-	-	399,043	942,871
	<u>1,026,017</u>	-	-	1,026,017	2,883,725
Investments (Note 4)	<u>2,588,760</u>	-	-	2,588,760	3,357,161
	<u>\$ 3,614,777</u>	\$ -	\$ -	\$ 3,614,777	\$ 6,240,886
Current Liabilities					
Accounts payable and accrued liabilities (Note 5)	\$ 726,774	\$ 201,407	\$ -	\$ 928,181	\$ 3,426,332
Due to the Society of Notaries Public of British Columbia (Note 7)	-	27,267	-	27,267	27,267
Interfund balances	2,888,003	(2,086,443)	(801,560)	-	-
	<u>3,614,777</u>	(1,857,769)	(801,560)	955,448	3,453,599
Net assets	<u>\$ 3,614,777</u>	\$ -	\$ -	\$ 2,659,329	\$ 2,787,287
	<u>\$ 3,614,777</u>	\$ -	\$ -	\$ 3,614,777	\$ 6,240,886

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	2009	2008
Revenue (Note 6)					
Interest earned on members' trust accounts	\$ 1,436,142	\$ -	\$ -	\$ 1,436,142	\$ 5,562,700
Investment income (loss)	(112,016)	-	(2,675)	(114,691)	180,118
Unrealized gains (loss) on investments	100,958	-	-	100,958	(70,812)
	1,425,084	-	(2,675)	1,422,409	5,672,006
Expenses					
Education and Administrative Fund (Note 6)	-	462,493	-	462,493	2,009,987
Grants Fund	-	-	361,100	361,100	444,429
Legal Services Society of British Columbia	726,774	-	-	726,774	3,158,550
	726,774	462,493	361,100	1,550,367	5,612,966
	698,310	(462,493)	(363,775)	(127,958)	59,040
Excess (deficiency) of revenue over (under) expenses					
Net assets, beginning of the year	-	1,756,768	1,030,519	2,787,287	2,728,247
Transfer (to) from Education and Administrative Fund	698,310	1,294,275	666,744	2,659,329	2,787,287
	(563,494)	563,494	-	-	-
Transfer (to) from Grants Fund	(134,816)	-	134,816	-	-
Net assets, end of year	\$ -	\$ 1,857,769	\$ 801,560	\$ 2,659,329	\$ 2,787,287

Notary Foundation of British Columbia
Statement of Cash Flows

For the year ended 2009	2009	2008
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over (under) expenses	\$ (127,958)	\$ 59,040
Item not involving cash		
Unrealized (gains) loss on investments	<u>(100,958)</u>	<u>(70,812)</u>
	(228,916)	(11,772)
Changes in non-cash working capital balances		
Accrued interest receivable	217,575	418,285
Prepaid expenses	-	21,777
Accounts payable and accrued liabilities	<u>(2,498,151)</u>	<u>2,343,675</u>
	(2,509,492)	2,771,965
Investing activities		
Proceeds and distributions from investments	2,927,806	1,209,533
Purchase of investments	<u>(1,514,618)</u>	<u>(3,484,684)</u>
	1,413,188	(2,275,151)
Increase (decrease) in cash during the year	(1,096,304)	496,814
Cash, beginning of year	<u>1,618,490</u>	<u>1,121,676</u>
Cash, end of year	\$ 522,186	\$ 1,618,490

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2009

Financial Instruments The Notary Foundation of British Columbia ("the Foundation") classifies its financial instruments as follows:

Held for Trading

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement. The Foundation has designated cash and investments on initial recognition as held for trading. These instruments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and Receivables

The Foundation has classified accrued interest receivable as loans and receivables. This asset is initially recognized at its fair value and transaction costs are immediately recognized in income. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Loans and receivables are recorded at cost. The fair value of loans and receivables are considered to approximate their carrying value due to their short-term nature.

Other Financial Liabilities

The Foundation has classified accounts payable, accrued liabilities and due from related party as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between parties.

Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Other financial liabilities are recorded at cost. The fair value of other financial liabilities are considered to approximate their carrying value due to their short-term nature.

Notary Foundation of British Columbia Summary of Significant Accounting Policies

June 30, 2009

Revenue Recognition The interest earned on members' 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 members' 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 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.

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. Significant estimates made by management include, but are not limited to, completeness of accrued interest receivables and accounts payable and accrued liabilities.

New Accounting Pronouncements

The new standards adopted by the CICA but not yet effective are as follows:

Financial Statement Concepts, Section 1000

Section 1000, which describes the concepts underlying the development and use of accounting principles in general purpose financial statements, has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for financial statements relating to fiscal years beginning on or after October 1, 2008.

The Foundation is currently assessing the impact of the above noted new standard.

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

June 30, 2009

**New Accounting
Pronouncement -
Continued**

There have been other recent accounting pronouncements issued by the CICA that have been issued, but are not yet effective. However, none of the pronouncements issued are expected to have a significant impact on the Foundation.

Notary Foundation of British Columbia

Notes to Financial Statements

June 30, 2009

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,
- 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, 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 various Canadian chartered banks. The accounts earn interest at prevailing market rates.

3. Short-term Investments

Investments are comprised of:

	2009	2008
	Fair Value	Fair Value
Equities	\$ 399,043	\$ 942,871

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

Equities are classified as short term investments as they are revolving equities.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2009

4. Long-term Investments

	<u>2009</u> Fair Value	<u>2008</u> Fair Value
Long-term bonds and debentures	<u>\$ 2,588,760</u>	<u>\$ 3,357,161</u>

The bonds and debentures bear interest from 3.550% to 6.282% (2008 - 3.000% to 6.282%) per annum and mature between September 15, 2013 and December 1, 2036.

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>2009</u>	<u>2008</u>
Legal Services Society of British Columbia		
Balance, beginning of period	\$ 3,158,550	\$ 965,478
Earned revenue from General Fund	726,774	3,158,550
Payments to Legal Services Society of British Columbia	<u>(3,158,550)</u>	<u>(965,478)</u>
	726,774	3,158,550
Education, administrative and grant payables	<u>201,407</u>	<u>267,782</u>
Balance, end of the year	<u>\$ 928,181</u>	<u>\$ 3,426,332</u>

Included in the current education, administrative and grant payables is \$151,407 (2008 - \$242,782) due to the Society of Notaries Public of British Columbia.

6. Allocation of Revenue

Realized revenue earned by the Foundation is 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 maximum 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.

Notary Foundation of British Columbia Notes to Financial Statements

June 30, 2009

6. Allocation of Revenue - Continued

- 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). Grant Funds are recognized as payable once approved by the governors committee. The Foundation may maintain a reserve fund composed of up to three years of contributions to the Grants Fund (the "Foundation Reserve Fund").

- d) 35% 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. The Foundation may maintain a reserve fund composed of up to three years of contributions to the Education and Administrative Fund (the "Foundation Reserve Fund").

7. Related Party Transactions

The amount of \$27,267 (2008 - \$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.

During the year, the Foundation had paid grants in the amount of \$462,493 (2008 - \$2,009,987) to the Society which was used by the Society to fund Education and Continuing Education initiatives as described in Note 6(d) and 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.

8. Financial Instruments Risks

The Foundation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at June 30, 2009.

(a) Credit 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, investments and accrued interest receivable. The Foundation limits its exposure to credit risk by placing its cash and investments with high credit quality governments, financial institutions, corporations and Canadian and foreign equities in accordance with investment policies adopted by the Foundation.

Notary Foundation of British Columbia
Notes to Financial Statements

June 30, 2009

8. Financial Instruments Risks - Continued

(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% all financial instruments are denominated in Canadian dollars.

(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 long-term investments are as disclosed in Note 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.

(e) Capital Risk

The Foundation considers its capital to be its net assets. The Foundation's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide education to its members at varying levels as well as supporting the Legal Services Society while maintaining its tax exempt status under the Canadian Income Tax Act. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.