

**British Columbia Veterinary
Medical Association
Combined Financial Statements
For the year ended June 30, 2010**

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Contents

Auditor's Report	2
Combined Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 9
Notes to the Financial Statements	10 - 14



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Chartered Accountants

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Auditor's Report

To the Members of the British Columbia Veterinary Medical Association

We have audited the Combined Statement of Financial Position of the British Columbia Veterinary Medical Association as at June 30, 2010 and the Combined Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Association'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 British Columbia Veterinary Medical Association as at June 30, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
July 23, 2010

**British Columbia Veterinary Medical Association
Statement of Financial Position**

June 30	General Fund	Captive Insurance Fund	2010	2009
Assets				
Current				
Cash (Note 2)	\$ 352,805	\$ 307,613	\$ 660,418	\$ 832,899
Short-term investments (Note 2)	564,150	-	564,150	210,811
Accounts receivable	44,076	-	44,076	39,002
Special levies receivable	-	-	-	310,080
Prepaid expenses	71,877	-	71,877	26,943
	1,032,908	307,613	1,340,521	1,419,735
Property and equipment (Note 3)	678,156	-	678,156	670,715
Due from related party (Note 6)	45,612	(45,612)	-	-
	\$1,756,676	\$ 262,001	\$2,018,677	\$2,090,450
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 400,915	\$ 6,484	\$ 407,399	\$ 202,917
Taxes payable	-	3,701	3,701	4,425
Reserve for unpaid claims	-	6,000	6,000	6,000
Deferred membership dues	782,423	-	782,423	606,823
Current portion of long-term debt (Note 4)	445,518	-	445,518	465,345
Current portion of obligation under capital lease (Note 5)	8,940	-	8,940	7,325
	1,637,796	16,185	1,653,981	1,292,835
Long-term debt (Note 4)	295,135	-	295,135	362,776
Obligation under capital lease (Note 5)	35,698	-	35,698	44,639
	1,968,629	16,185	1,984,814	1,700,250
Net assets (Note 6)				
Unrestricted	(602,902)	-	(602,902)	(257,324)
Invested in property and equipment	390,949	-	390,949	369,004
Equity in Captive	-	245,816	245,816	278,520
	(211,953)	245,816	33,863	390,200
	\$1,756,676	\$ 262,001	\$2,018,677	\$ 2,090,450

Approved on behalf of the Council:

 _____ President

 _____ Secretary/Treasurer

**British Columbia Veterinary Medical Association
Statement of Operations**

For the year ended June 30	Budget	General Fund	Captive Insurance Fund	2010	2009
Revenue					
Member dues	\$ 1,550,735	\$1,826,418	\$ -	\$1,826,418	\$ 1,668,185
Special levies	-	650	-	650	358,126
HRT levies (Note 8)	-	470,884	-	470,884	-
Conference	81,000	108,097	-	108,097	74,836
Magazine/Website advertising	123,500	88,490	-	88,490	128,462
Examinations	35,000	29,665	-	29,665	42,050
Registration	61,000	57,841	-	57,841	39,896
Inspections	85,000	78,550	-	78,550	82,500
Interest	23,000	5,069	168	5,237	23,720
Merchandise sales (net)	4,000	3,481	-	3,481	3,888
Other	-	26,950	-	26,950	115,677
Insurance rebates	4,000	8,787	-	8,787	11,426
HRT donations (Note 8)	-	32,845	-	32,845	-
	1,967,235	2,737,077	168	2,737,245	2,548,766
Less: Dues collected on behalf of Canadian Veterinary Medical Association	-	(311,808)	-	(311,808)	(297,000)
	1,967,235	2,425,269	168	2,425,437	2,251,766
Expenses					
Amortization	-	52,623	-	52,623	45,186
Bad debts	-	98	-	98	4,476
Conference	85,000	87,777	-	87,777	82,519
Donations and grants	10,000	3,974	-	3,974	9,877
Economic Survey	3,000	2,542	-	2,542	2,607
Insurance	75,000	53,859	-	53,859	72,855
Interest on long-term debt	37,400	32,652	-	32,652	36,167
Interest on capital lease	-	10,363	-	10,363	3,637
Legal - case	600,000	493,164	-	493,164	660,759
- general	100,000	123,407	-	123,407	101,240
- HRT (Note 8)	-	563,212	-	563,212	-
Magazine	55,000	40,547	-	40,547	47,081
Meetings	224,500	197,488	-	197,488	226,459
Office	135,400	141,452	5,000	146,452	130,738
Professional services	304,700	252,949	28,873	281,822	252,361
Property taxes	16,000	15,882	-	15,882	14,347
Public relations	35,000	38,985	-	38,985	43,154
Premium taxes	-	-	1,700	1,700	1,280
Income taxes (recovery)	-	-	(2,701)	(2,701)	2,701
Reserve for future and unpaid claims	-	-	-	-	6,000
Salaries and benefits	635,000	604,486	-	604,486	579,883
Staff development	8,000	7,570	-	7,570	2,726
Telephone and utilities	24,000	19,729	-	19,729	19,290
Wilson Banwell program	4,000	6,143	-	6,143	3,686
	2,352,000	2,748,902	32,872	2,781,774	2,349,029
Deficiency of revenues over expenses for the year	(384,765)	(323,633)	(32,704)	(356,337)	(97,263)

British Columbia Veterinary Medical Association
Statement of Changes in Net Assets

For the year ended June 30	Unrestricted	Invested in Property and Equipment	Equity in Captive	2010	2009
Balance, beginning of year	\$ (257,324)	\$ 369,004	\$ 278,520	\$ 390,200	\$ 487,463
Deficiency of revenue over expenses for the year	(271,010)	(52,623)	(32,704)	(356,337)	(97,263)
Interfund transfers	(74,568)	74,568	-	-	-
Balance, end of year	\$ (602,902)	\$ 390,949	\$ 245,816	\$ 33,863	\$ 390,200

British Columbia Veterinary Medical Association
Statement of Cash Flows

For the year ended June 30 2010 2009

Cash provided by (used in)

Operating activities

Deficiency of revenue over expenses for the year	\$ (356,337)	\$ (97,263)
Item not involving cash		
Amortization	52,623	45,186
	(303,714)	(52,077)

Changes in non-cash working capital balances

Accounts receivable	(5,074)	33,639
Special levies receivable	310,080	(268,727)
Prepaid expenses	(44,934)	2,112
Accounts payable and accruals	204,481	(16,000)
Taxes payable	(724)	4,425
Reserve for unpaid claims	-	6,000
Deferred membership dues	175,600	67,063
	335,715	(223,565)

Investing activities

Purchase of property and equipment	(60,064)	(76,692)
Increase in investments	(353,339)	(7,000)
	(413,403)	(83,692)

Financing activities

Repayment of mortgage	(7,178)	(6,786)
Assumption (repayment) of obligation under capital lease	(7,326)	51,964
Payment of term loan	(20,289)	(1,626)
Payment of promissory note	(60,000)	(60,000)
Payments on line of credit	-	(98,681)
	(94,793)	(115,129)

Decrease in cash during the year

(172,481) (422,386)

Cash, beginning of year

832,899 1,255,285

Cash, end of year

\$ 660,418 \$ 832,899

British Columbia Veterinary Medical Association Summary of Significant Accounting Policies

June 30, 2010

Purpose of Association

The British Columbia Veterinary Medical Association (the "Association") is a self-governing professional regulatory body. Its statutory mandate is to serve the public interest by regulating and upholding the standard of the practice of veterinary medicine in B.C. It does so by setting and enforcing standards of ethical and competent behaviour on the part of its members. It promotes a high standard of practice through member programs such as continuing education and professional development.

The "Veterinarians Act" of the Province of British Columbia and the Association By-laws and Code of Ethics are the means by which the members of the Association are licensed and regulated.

The Association is a tax-exempt body under Section 149 of the Income Tax Act.

These financial statements combine the Association's General and Captive Insurance Funds (Note 6).

See also Note 11.

Property and Equipment Property and equipment are recorded at cost. Amortization is calculated using the following annual rates:

Building	- 5% diminishing balance basis
Furniture and fixtures	- 20% diminishing balance basis
Computer and office equipment	- 20% diminishing balance basis

Revenue

The Association follows the deferral method of accounting for membership dues. Membership dues are deferred and recognized over the membership year of December 1 to November 30, which differs from the Association's fiscal year of July 1 to June 30.

Special levies and HRT levies are recognized as revenue when approved by Council and collectibility is reasonably assured.

Conference revenues are recognized in the period in which the conference occurs.

Advertising revenues are recognized upon publication and other revenues are recognized when earned.

HRT donation revenues are recognized as revenue upon receipt.

Donated Services

The Association and its members benefit greatly from donated services in the form of volunteer time for various committees. The value of donated services is not recognized in these financial statements.

**British Columbia Veterinary Medical Association
Summary of Significant Accounting Policies**

June 30, 2010

Discipline Matters The Association records legal fees related to disciplinary actions as they are incurred. Recoveries of fines and costs are recognized as revenue when all matters relating to their realization have been resolved.

Financial Instruments The Association's financial instruments consist of cash, short-term investments, accounts receivable, special levies receivable, accounts payable and accrued liabilities and long-term debt. These financial instruments are accounted for as follows:

Held-for-trading

The Association has designated cash and short-term investments as held-for-trading. These instruments are initially 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 sundry income.

Loans and receivables

The Association has classified accounts receivable and special levies receivable as loans and receivables. These assets are initially recognized at their fair value. 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 derecognition or impairment. Given the short-term nature of these items their carrying value equates to their fair value.

Other financial liabilities

The Association has classified accounts payable and accrued liabilities and long-term debt 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 unrelated 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 derecognition or impairment. Given the short-term nature of accounts payable and accrued liabilities their carrying value equates to its fair value. The fair values of long-term debt are disclosed in Note 4.

British Columbia Veterinary Medical Association Summary of Significant Accounting Policies

June 30, 2010

Use of Estimates

The financial statements of the Association have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Assets Under Capital Lease

Assets under capital lease are recorded at the present value of the minimum lease payments at the inception of the lease. Amortization is provided over the period of the lease.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for the Association, are as follows:

Future Accounting Framework

The Canadian Institute of Chartered Accountants ("CICA") has determined that not-for-profit organizations ("NPOs") do not meet the definition of "publicly accountable" organizations for purposes of consideration of International Financial Reporting Standards ("IFRS"). This means that NPOs will not be required to adopt IFRS in 2011. The CICA has issued an exposure draft seeking comment on its proposal to incorporate accounting standards for NPO's into Part III of the CICA Handbook. Part III would comprise the core standards, often referred to as the 4400 series of the CICA handbook, which will remain the primary source of Canadian generally accepted accounting principles (GAAP) for non-for-profit organizations. In addition, a NPO would be directed to Part II, the accounting standards for private enterprises, to the extent they are of general applicability or pertain to the organization's circumstances when there is no relevant standard in Part III. The CICA has stated that any NPO could elect to follow IFRS, if that approach meets the needs of the users of its financial statements. It is important to note that although Canadian publicly accountable enterprises are required to adopt IFRS on January 1, 2011, not-for-profit organizations are not required to make a choice or to follow the same transition schedule. The transition to a new strategy for not-for-profit financial reporting will be based on a separate timeline that allows adequate time to plan and transition successfully.

The impact to the financial reporting of Association is not determinable at this time.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2010

1. Continued Operations

The Association has incurred significant deficits in recent years and currently has a deficit in its unrestricted funds of \$602,902. Expenses for complaint and discipline matters under the Veterinarians Act were in the range forecasted; however, at the request of the Association membership, the Council agreed to a deficit budget which was supplemented by levy payments when necessary. There continue to be unresolved legal contingencies (Note 9).

It is anticipated that the transition to the public interest mandate as the College of Veterinarians of British Columbia (Note 11) should help to stabilize many aspects of the organization's operations.

2. Cash and Short-term Investments

The Association's bank accounts are held at a credit union and bear interest at market rates.

Short-term investments at year end consists of credit union term deposits bearing interest at 1.0% per annum and equity shares in a credit union and a bank. \$200,000 of short-term investments is restricted for the use of the Captive.

The Association's investment philosophy is to invest conservatively with highly-rated counterparties with the objective of preserving capital while earning a reasonable rate of return.

Interest Rate Risk

The Association manages the interest rate risk exposure of its fixed income investments by using investing in low-risk credit union term deposits.

Currency Risk

The Association is not exposed to currency risk as all financial instruments are denominated in Canadian dollars.

Credit and Market Risk

The Association has an investment policy that restricts the types and amounts of eligible investments and requires dealing with highly-rated counterparties. The Association did not hold any asset-backed commercial paper during the year.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2010

3. Property and Equipment

	2010		2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 249,492	\$ 532,315	\$ 560,332
Furniture and fixtures	22,287	12,205	10,082	12,406
Computer hardware	99,966	66,422	33,544	21,403
Computer software	62,727	15,796	46,931	6,609
Office equipment	35,579	20,043	15,536	19,420
Equipment under capital lease	54,104	14,356	39,748	50,545
	<u>\$ 1,056,470</u>	<u>\$ 378,314</u>	<u>\$ 678,156</u>	<u>\$ 670,715</u>

4. Long-term Debt

	2010	2009
Mortgage payable to finance a portion of the building purchase, repayable in monthly installments of \$1,910 including interest at 6.45% per annum until February 2011 (Fair value - 2010: \$250,317 , 2009: \$263,866)	\$ 242,568	\$ 249,747
Business operating line of credit, limit of \$250,000, due on demand bearing an interest rate of prime plus 0.5%	-	-
Term loan, due on demand and repayable in blended monthly payments of \$2,950 with an interest rate of 4.00% and maturing on May 10, 2024 (Fair value - 2010: \$337,742, 2009: \$392,977)	378,085	398,374
Promissory note payable to the Canadian Veterinary Medical Association, interest-free, repayable in annual installments of \$60,000 commencing April 1, 2009 until repaid April 1, 2012 (Fair value - 2010: \$112,754, 2009: \$162,781)	120,000	180,000
	<u>740,653</u>	<u>828,121</u>
Less: current portion	<u>(445,518)</u>	<u>(465,345)</u>
	<u>\$ 295,135</u>	<u>\$ 362,776</u>

The mortgage payable is collateralized by a first charge on the building and assignment of insurance and rentals. The line of credit and term loan are collateralized by a \$450,000 business promissory note made by the Association on all indebtedness, second mortgage and assignment of rents of the building owned and a general security agreement creating a security interest against all present and after-acquired personal property.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2010

4. Long-term Debt (Continued)

The Association is required to manage its capital structure to maintain its debt obligations subject to a financial covenant in the term loan agreement. The financial covenant requires the Association to maintain a debt service coverage ratio of 1.1:1. As at June 30, 2010, the Association was not in compliance with its financial covenants and the loan payable has been presented as a current liability. Management does not expect the financial institution will demand repayment of the debt as a result of the Association not being in compliance with the covenants.

Future minimum principal payments required are:

2011	\$	445,518
2012		67,927
2013		8,454
2014		9,016
2015		9,615
Thereafter		<u>200,123</u>
	\$	<u>740,653</u>

5. Obligation Under Capital Lease

	2010	2009
Obligation under capital lease - due January 3, 2014, repayable in monthly installments of \$1,414 including principal and interest	\$ 43,471	\$ 50,689
Obligation under capital lease - due September 6, 2014, repayable in quarterly installments of \$180 including principal and interest	<u>1,167</u>	<u>1,275</u>
	44,638	51,964
Less current portion	<u>(8,940)</u>	<u>(7,325)</u>
	<u>\$ 35,698</u>	<u>\$ 44,639</u>

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2010

5. Obligation Under Capital Lease (Continued)

The future minimum lease payments are as follows:

2011	\$	17,688
2012		17,688
2013		17,688
2014		12,032
2015		<u>317</u>
		65,413
Less: imputed interest		<u>(20,775)</u>
	\$	<u>44,638</u>

6. Net Assets

The Association segregates its net assets into various funds.

The amount invested in property and equipment represents the Association's cumulative net investment in property and equipment. Amounts are not available for use unless the property and equipment are sold.

The Captive Insurance Fund holds the interest in the British Columbia Veterinary Captive Insurance Company Ltd. (the "Captive"). The Captive has issued a professional liability and commercial general liability insurance policy covering the Association and Captive directors and officers. The Association provides management and administrative services to the Captive at no cost.

Inter-entity balances are interest free and without terms of repayment.

Unrestricted net assets represents the net assets available for general use.

7. Employee Future Benefits

The Association has an RRSP contribution plan. All individuals who have been employed by the Association for a term longer than 6 months are entitled to a contribution by the Association to their RRSP in the amount of 4% of their annual earnings. The Association contributed \$19,523 (2009 - \$18,359) to employees' RRSPs during the year.

Depending on their position, an employee is entitled to at least 2 weeks of annual paid vacation leave and this increases depending on the position, length of employment and management discretion. These paid vacation days are accrued on a calendar year basis and are available for use in the following fiscal year. Unused vacation days are not permitted to be carried forward to the next calendar year without permission. The Association has accrued \$35,385 (2009 - \$25,344) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2010

8. Human Rights Tribunal Levies

During the year, the Association collected levy funds internally restricted towards covering legal costs related to the Human Rights Tribunal (HRT) case. HRT costs are ongoing and the Association will collect a maximum of one more levy of \$400 plus applicable tax per member.

HRT levies revenue	\$ 470,884
HRT donations revenue	<u>32,845</u>
	503,729
HRT legal expenses	<u>(563,212)</u>
	<u>\$ (59,483)</u>

9. Contingent Liabilities

The Association is presently involved with a number of claims. The Association denies any wrongdoing and is vigorously defending itself against all matters. The outcome of these cases is indeterminable and no provisions for such claims has been provided in these financial statements. Amounts ultimately payable under these claims, if any, will be recorded in such period where it becomes determinable.

10. Capital Disclosures

The Association's objective when managing capital is to safeguard the Association's ability to effectively carry out its mandate to regulate the profession. The Association considers the items in net assets as capital. The Association manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics. In order to maintain or adjust its capital structure, the Association may impose special levies on its members or raise membership fees for its members. The Association is not subject to externally imposed capital requirements other than those noted in Note 4.

11. Continued Operations

On April 14, 2010, the Provincial government introduced a revised Veterinarians Act. The Act will be brought fully into force by regulation on September 15, 2010. One of the consequences of the new Act is that the existing Association will be renamed as the College of Veterinarians of British Columbia and focused entirely on public interest.

It is not anticipated that this change will have any significant impact to the operations of the Association.