

**College of Veterinarians of
British Columbia**
Consolidated Financial Statements
For the year ended June 30, 2016

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Independent Auditor's Report

To the Members of the College of Veterinarians of British Columbia

We have audited the accompanying consolidated financial statements of the College of Veterinarians of British Columbia, which comprise the Consolidated Statement of Financial Position as at June 30, 2016 and the Consolidated Statements of Operations, Changes in Net Assets and 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the College of Veterinarians of British Columbia as at June 30, 2016 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.

Chartered Professional Accountants

Vancouver, British Columbia
August 27, 2016

College of Veterinarians of British Columbia
Consolidated Statement of Financial Position

	General Fund	Captive Insurance Fund	Elimination	June 30, 2016	June 30, 2015
Assets					
Current					
Cash (Note 2)	\$ 286,666	\$ 59,974	\$ -	\$ 346,640	\$ 97,871
Short-term investments (Note 2)	1,149,089	1,214,755	-	2,363,844	2,443,570
Accounts receivable	29,704	-	-	29,704	34,178
Prepaid expenses	26,985	-	-	26,985	14,410
	<u>1,492,444</u>	<u>1,274,729</u>	<u>-</u>	<u>2,767,173</u>	<u>2,590,029</u>
Property and equipment (Note 4)	469,586	-	-	469,586	495,917
Investment in Captive Insurance Fund	<u>1,176,395</u>	<u>-</u>	<u>(1,176,395)</u>	<u>-</u>	<u>-</u>
	<u>\$3,138,425</u>	<u>\$1,274,729</u>	<u>\$(1,176,395)</u>	<u>\$3,236,759</u>	<u>\$ 3,085,946</u>
Liabilities and Net Assets					
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 498,390	\$ 35,541	\$ -	\$ 533,931	\$ 208,833
Income taxes payable (Note 8)	-	2,105	-	2,105	-
Provision for unpaid and future claims (Note 5)	-	45,000	-	45,000	40,000
Deferred membership dues	973,274	-	-	973,274	932,715
Current portion of long-term debt (Note 6)	22,310	-	-	22,310	21,311
Current portion of obligation under capital lease (Note 7)	<u>13,711</u>	<u>-</u>	<u>-</u>	<u>13,711</u>	<u>12,724</u>
	<u>1,507,685</u>	<u>82,646</u>	<u>-</u>	<u>1,590,331</u>	<u>1,215,583</u>
Long-term debt (Note 6)	796,530	-	-	796,530	819,137
Obligation under capital lease (Note 7)	<u>3,591</u>	<u>-</u>	<u>-</u>	<u>3,591</u>	<u>17,302</u>
	<u>2,307,806</u>	<u>82,646</u>	<u>-</u>	<u>2,390,452</u>	<u>2,052,022</u>
Net assets (Note 8)					
Unrestricted	830,619	-	-	830,619	1,052,782
Equity in Captive Insurance Fund	<u>-</u>	<u>1,192,083</u>	<u>(1,176,395)</u>	<u>15,688</u>	<u>(18,858)</u>
	<u>830,619</u>	<u>1,192,083</u>	<u>(1,176,395)</u>	<u>846,307</u>	<u>1,033,924</u>
	<u>\$3,138,425</u>	<u>\$1,274,729</u>	<u>\$(1,176,395)</u>	<u>\$3,236,759</u>	<u>\$ 3,085,946</u>

Approved on behalf of the Council:

_____ Signature _____ Title

_____ Signature _____ Title

College of Veterinarians of British Columbia
Consolidated Statement of Operations

For the year ended June 30	General Fund	Captive Insurance Fund	Elimination	2016	2015
Revenue					
Member dues	\$ 1,921,526	\$ -	\$ -	\$ 1,921,526	\$ 1,879,641
Premiums (Note 8)	-	50,000	(50,000)	-	-
Website advertising	2,685	-	-	2,685	3,183
Examinations	54,415	-	-	54,415	37,850
Registration	74,700	-	-	74,700	57,100
Inspections	115,881	-	-	115,881	111,350
Interest	15,762	20,401	-	36,163	34,278
Other	78,110	-	-	78,110	210,464
	<u>2,263,079</u>	<u>70,401</u>	<u>(50,000)</u>	<u>2,283,480</u>	<u>2,333,866</u>
Expenses					
Amortization	46,109	-	-	46,109	47,380
Bad debt	36,704	-	-	36,704	137,005
Donations and grants	5,724	-	-	5,724	2,470
Human solutions	9,936	-	-	9,936	7,453
Insurance	50,479	-	(50,000)	479	3,405
Interest on capital lease	1,820	-	-	1,820	2,737
Interest on long-term debt	37,870	-	-	37,870	38,730
Legal	845,036	-	-	845,036	662,527
Management Fees	-	12,062	-	12,062	14,760
Meetings	155,985	-	-	155,985	158,137
Office	163,904	2,723	-	166,627	209,772
Premium taxes	-	2,000	-	2,000	2,000
Professional services	266,584	11,965	-	278,549	340,446
Property taxes	17,253	-	-	17,253	17,933
Provision for unpaid and future claims	-	5,000	-	5,000	-
Salaries and benefits	823,235	-	-	823,235	652,560
Staff development	9,438	-	-	9,438	7,030
Telephone and utilities	15,165	-	-	15,165	16,795
	<u>2,485,242</u>	<u>33,750</u>	<u>(50,000)</u>	<u>2,468,992</u>	<u>2,321,140</u>
Excess (deficiency) of revenues over expenses before income taxes	(222,163)	36,651	-	(185,512)	12,726
Income taxes (Note 9)	-	(2,105)	-	(2,105)	-
Excess (deficiency) of revenues over expenses for the year	<u>\$ (222,163)</u>	<u>\$ 34,546</u>	<u>\$ -</u>	<u>\$ (187,617)</u>	<u>\$ 12,726</u>

College of Veterinarians of British Columbia
General Fund Statement of Financial Position

	June 30, 2016	June 30, 2015
Assets		
Current		
Cash	\$ 286,666	\$ 69,484
Short-term investments	1,149,089	1,230,137
Amounts receivable	29,704	34,178
Prepaid expenses	26,985	14,410
	1,492,444	1,348,209
Property and equipment	469,586	495,917
Investment in Captive Insurance Fund	1,176,395	1,176,395
	\$ 3,138,425	\$ 3,020,521
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 498,390	\$ 164,550
Deferred membership dues	973,274	932,715
Current portion of long-term debt	22,310	21,311
Current portion of obligation under capital lease	13,711	12,724
	1,507,685	1,131,300
Long-term debt	796,530	819,137
Obligation under capital lease	3,591	17,302
	2,307,806	1,967,739
Unrestricted Net Assets	830,619	1,052,782
	\$ 3,138,425	\$ 3,020,521

College of Veterinarians of British Columbia
General Fund Statement of Operations

For the year ended June 30	Budget	2016	2015
Revenue			
Member dues	\$1,857,471	\$ 1,921,526	\$ 1,879,641
Website advertising	-	2,685	3,183
Examinations	35,000	54,415	37,850
Registration	48,000	74,700	57,100
Inspections	102,000	115,881	111,350
Interest	-	15,762	16,927
Other	34,000	78,110	210,464
	<u>2,076,471</u>	<u>2,263,079</u>	<u>2,316,515</u>
Expenses			
Amortization	-	46,109	47,380
Bad debts	-	36,704	137,005
Donations and grants	4,200	5,724	2,470
Human solutions	9,936	9,936	7,453
Insurance	65,000	50,479	53,405
Interest on capital lease	14,544	1,820	2,737
Interest on long-term debt	59,478	37,870	38,730
Legal	522,588	845,036	662,527
Meetings	212,000	155,985	158,137
Office	214,800	163,904	206,821
Professional services	264,200	266,584	319,114
Property taxes	17,700	17,253	17,933
Public relations	10,000	-	-
Salaries and benefits	657,025	823,235	652,560
Staff development	10,000	9,438	7,030
Telephone and utilities	15,000	15,165	16,795
	<u>2,076,471</u>	<u>2,485,242</u>	<u>2,330,097</u>
Deficiency of revenues over expenses for the year	\$ -	\$ (222,163)	\$ (13,582)

College of Veterinarians of British Columbia
Consolidated Statement of Changes in Net Assets

	General Fund	Captive Insurance Fund	2016	2015
Balance, June 30, 2015	\$ 1,052,782	\$ (18,858)	\$ 1,033,924	\$ 1,021,198
Excess (deficiency) of revenues over expenses for the year	(222,163)	34,546	(187,617)	12,726
Balance, June 30, 2016	\$ 830,619	\$ 15,688	\$ 846,307	\$ 1,033,924

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

College of Veterinarians of British Columbia
Consolidated Statement of Cash Flows

<u>For the year ended June 30</u>	<u>2016</u>	<u>2015</u>
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (187,617)	\$ 12,726
Item not involving cash		
Amortization	46,109	47,380
Provision for unpaid and future claims	5,000	-
	<u>(136,508)</u>	<u>60,106</u>
Changes in non-cash working capital balances		
Accounts receivable	4,474	(7,910)
Prepaid expenses	(12,575)	(1,574)
Accounts payable and accrued liabilities	325,098	60,559
Income taxes payable	2,105	-
Deferred membership dues	40,559	4,373
	<u>223,153</u>	<u>115,554</u>
Investing activities		
Purchase of property and equipment	(19,778)	-
Redemption (purchase) of short-term investments	79,726	(1,313,738)
Financing activities		
Repayment of long-term debt	(21,608)	(20,750)
Repayment of obligation under capital lease	(12,724)	(11,807)
	<u>(34,332)</u>	<u>(32,557)</u>
Increase (decrease) in cash during the year	248,769	(1,230,741)
Cash, beginning of year	97,871	1,328,612
Cash, end of year	\$ 346,640	\$ 97,871

College of Veterinarians of British Columbia

Notes to the Consolidated Financial Statements

June 30, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Purpose of the College

The College of Veterinarians of British Columbia (the "College") is a statutory self-governing professional regulatory body created and empowered by the Veterinarians Act SBC 2010 c.15 (the "Act") of the Province of British Columbia. 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.

The Act and College By-laws including the Code of Ethics are the means by which the registrants of the College are licensed and regulated. The Act clarifies the public interest mandate and registration, complaint and discipline processes.

The College is a tax-exempt body under Section 149(1)(l) of the Income Tax Act.

The BC Veterinary Captive Insurance Co. Ltd. (the "Captive") is a subsidiary of the College. The Captive issues a directors' and officers' liability insurance policy covering the College and the Captive directors and officers and a comprehensive general liability policy covering the College's general operations. The Captive is incorporated under the Insurance (Captive Company) Act of British Columbia and is governed by the provisions of that Act and related Regulations which require the Captive to maintain a minimum shareholders equity of \$200,000 and minimum reserves of \$100,000. The Captive was in compliance with the \$200,000 and \$100,000 requirements throughout the year ended June 30, 2016.

The College and Captive directors and officers are provided with liability insurance through the Captive while providing their services. Coverage is limited to \$2,000,000 per claim and \$2,000,000 per policy period, with no deductible for each claim.

The College's general operations are provided with liability insurance through the Captive. Coverage is limited to \$5,000,000 inclusive each occurrence and \$5,000,000 in the aggregate, with no deductible for each occurrence, with respect to bodily injury and property damage liability, products and completed operations liability, personal and advertising injury liability, employee benefits, tenants legal liability, and medical payments.

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Basis of Accounting These consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").

The consolidated financial statements include the accounts of the College and the Captive. The Captive is wholly owned and intercompany balances and transactions have been eliminated upon consolidation.

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
Equipment under capital lease	- Straight line over lease term
Leasehold improvement	20% diminishing balance basis

Revenue The College follows the deferral method of accounting for revenues. Membership dues are deferred and recognized over the membership year of January 1 to December 31.

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

Advertising revenues are recognized upon publication. Examination, registration and inspection revenues are recognized when earned over the policy term.

Premiums received by the Captive in respect of the policy coverage period are recorded when they are earned.

Interest and other revenue is recognized in the year earned.

Income Taxes The Captive accounts for income taxes using the taxes payable method. The taxes payable basis is a method of accounting under which the Captive reports as an expense (income) of the year only the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by the taxation authorities.

Provision for Unpaid and Future Claims The Captive records a provision for claims incurred during a particular fiscal year but not reported (unpaid claims) and any future claims based on amounts determined in accordance with accepted actuarial standards in Canada by qualified, independent actuaries. This reserve consists of discounted unpaid claims and loss adjustment expenses, estimated Provision for Adverse Deviation and policy liabilities in connection with unearned premiums.

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. Term deposits have been designated to be in the fair value category, with 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 charged to the financial instrument for those measured at amortized cost.
Donated Services	The College 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 consolidated financial statements.
Discipline Matters	The College 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 and the amounts are deemed to be collectible.
Use of Estimates	The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of consolidated financial statements in conformity with these standards 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. The most significant areas for estimates relate to legal contingencies, the provision for claims and collectibility of fines and penalties for disciplinary matters provisions.
Assets Under Capital Lease	Assets under capital lease are leases that transfer the benefits of ownership and are recorded at the present value of the minimum lease payments at the inception of the lease.
Premium Taxes	The Captive is subject to insurance premium tax equal to 4% of gross premiums received or receivable.
Employee Future Benefits Policy	The College has an RRSP contribution plan. The plan is a defined contribution plan and contributions are expensed as entitlement occurs. All individuals who have been employed by the College for a term longer than six months are entitled to a contribution by the College to their RRSP in the amount of 4% of their annual earnings.

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

2. Cash

The College and Captive's cash accounts are held at two credit unions and bears interest at market rates.

3 Short-term Investments

	2016	2015
Operating term deposit - Vancity		
- Matures on December 24, 2016 at 1.20% (2015 - 1.60%)	\$ 840,000	\$ 920,000
Operating term deposit - Vancity		
- Matures on January 30, 2017 at 3.05% (2015 - 3.05%)	225,000	225,000
Operating term deposit - Vancity		
- Matures on February 16, 2017 at 1.10% (2015 - 1.05%)	80,000	80,000
	\$ 1,145,000	\$ 1,225,000

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

4. Property and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 390,507	\$ 391,300	\$ 411,895
Furniture and fixtures	25,017	21,568	3,449	4,311
Computer hardware	109,367	92,881	16,486	11,456
Computer software	82,033	53,497	28,536	32,632
Office equipment	38,720	32,529	6,191	5,380
Equipment under capital lease	61,802	43,656	18,146	30,243
Leasehold improvements	6,848	1,370	5,478	-
	\$ 1,105,594	\$ 636,008	\$ 469,586	\$ 495,917

Amortization expense of equipment under capital lease in current year is \$12,097 (2015 - \$12,260).

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

5. Provision for Unpaid and Future Claims

An actuarial valuation of the claim liabilities of the Captive was last performed by an independent actuary in a report completed in 2016 for the year ended April 30, 2016. The net provision for unpaid and future claims estimated by the actuary was \$45,327 (2015 - \$42,390). The net provision for unpaid and future claims was recorded at \$45,000 (2015 - \$40,000) as an estimate made by management based on reports from the actuary.

6. Long-term Debt

	2016	2015
Mortgage payable, repayable in monthly installments of \$1,824 including interest at 4.59% per annum until December 2037 ¹	\$ 301,241	\$ 309,190
Mortgage payable, repayable in monthly installments of \$3,133 including interest at 4.59% per annum until December 2037 ¹	517,599	531,258
Less: current portion	(22,310)	(21,311)
	\$ 796,530	\$ 819,137

The College has a business operating line of credit with a limit of \$50,000, due on demand and bearing an interest rate of prime plus 1.50%. As at June 30, 2016 and 2015, the College has not drawn upon these funds.

¹ The mortgage payable is collateralized by a first charge on the College's building and assignment of insurance and rentals.

Future minimum principal payments required are:

2017	\$	22,310
2018		23,356
2019		24,451
2020		25,597
2021		26,797
Thereafter		696,329
	\$	818,840

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

7. Obligation Under Capital Lease

	2016	2015
Obligation under capital lease - due September 2017, repayable in monthly installments of \$1,212 including principal and interest at 7.5%	\$ 17,302	\$ 30,026
Less: current portion	(13,711)	(12,724)
	\$ 3,591	\$ 17,302

The future minimum lease payments are as follows:

2017	\$	14,544
2018		3,636
		18,180
Less: imputed interest		(878)
	\$	17,302

8. Net Assets

The College segregates its net assets into a general fund reflecting the College operations and a captive fund.

The Captive Insurance Fund holds the interest in the Captive. No additional common shares were issued during the fiscal year ended June 30, 2016. A total of 10,265.95 common shares were held by the College as at June 30, 2016 for a total value of \$1,026,595.

The Captive has issued a professional liability and commercial general liability insurance policy covering the College and Captive directors and officers. During the year, the Captive charged the College \$50,000 (2015 - \$50,000) for the insurance coverage, the amounts were eliminated upon consolidation.

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

9. Income Taxes

	2016	2015
Net income before income taxes	\$ 36,651	\$ -
Adjusted for tax differences:		
Non-deductible accounting IBNR reserve	5,000	-
Non-deductible reserves	38,000	-
Deductible other reserves	(42,750)	-
Losses utilized	(21,011)	-
	15,890	-
Taxable income for the year	13.25%	13.50%
Statutory rate	2,105	-
Income tax expense	\$ 2,105	\$ -

10. Employee Future Benefits

During the year, the College contributed \$20,775 (2015 - \$21,207) to employees' RRSPs.

Depending on their position, an employee is entitled to at least two 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. A maximum of ten unused vacation days are permitted to be carried forward to the next calendar year. As at June 30, 2016, the College accrued \$19,218 (2015 - \$23,975) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

College of Veterinarians of British Columbia
Notes to the Consolidated Financial Statements

June 30, 2016

11. Contingent Liabilities

The College is presently involved with a number of legal claims. The College has accrued its best estimate of the costs to conclude such matters in the financial statements. Once the College determines the final costs, if any, the differences in the estimates will be recorded.

12. Financial Instruments Risks

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

(a) Credit Risk

Credit risk is the risk that the College will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the College to significant concentrations of credit risk consist primarily of cash, short-term investments and accounts receivable. The College limits its exposure to credit risk by placing its cash and short-term investments with high credit quality financial institutions, in accordance with investment policies adopted by Council. Additionally, the College mitigates credit risk related to accounts receivable by billing in advance of services, aggressive penalties on overdue accounts, and a review of overdue accounts on a regular basis.

(b) 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 College is not exposed to interest rate risk as all rates on cash, short-term investments and capital leases are fixed.

(c) Liquidity Risk

Liquidity risk is the risk that the College will not be able to meet its obligations as they fall due. The College maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.