

**College of Veterinarians of
British Columbia
Combined Financial Statements
For the year ended June 30, 2012**

College of Veterinarians of
British Columbia
Combined Financial Statements
For the year ended June 30, 2012

Contents

Independent 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

Independent Auditor's Report

To the Members of the
College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)

We have audited the accompanying financial statements of the College of Veterinarians of British Columbia, which comprise the Combined Statement of Financial Position as at June 30, 2012, and the Combined Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended and a summary of 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 generally accepted accounting principles, 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.

Auditor's Responsibility

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 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 auditor's 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 and fair presentation 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 overall 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 combined financial statements present fairly, in all material respects, the financial position of the College of Veterinarians of British Columbia as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements and that as of June 30, 2012, the entities current liabilities exceeded its current assets by \$544,210. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.



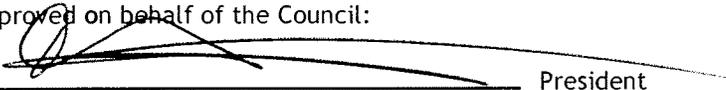
Chartered Accountants

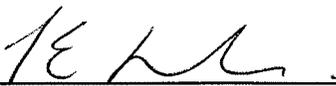
Vancouver, British Columbia
September 4, 2012

College of Veterinarians of British Columbia
Combined Statement of Financial Position

June 30	General Fund	Captive Insurance Fund	2012	2011
Assets				
Current				
Cash (Note 2)	\$ 89,041	\$ 377,000	\$ 466,041	\$ 611,361
Short-term investments (Note 2)	818,990	-	818,990	417,503
Accounts receivable	43,078	-	43,078	113,368
Prepaid expenses	34,516	-	34,516	65,942
	<u>985,625</u>	<u>377,000</u>	<u>1,362,625</u>	<u>1,208,174</u>
Property and equipment (Note 3)	598,396	-	598,396	649,023
	<u>\$1,584,021</u>	<u>\$ 377,000</u>	<u>\$1,961,021</u>	<u>\$1,857,197</u>
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 507,809	\$ 56,446	\$ 564,255	\$ 615,453
Taxes payable	-	2,333	2,333	6,695
Reserve for unpaid claims	-	15,000	15,000	12,250
Deferred membership dues	905,578	-	905,578	821,568
Current portion of long-term debt (Note 4)	406,126	-	406,126	427,315
Current portion of obligation under capital lease (Note 5)	13,543	-	13,543	10,996
	<u>1,833,056</u>	<u>73,779</u>	<u>1,906,835</u>	<u>1,894,277</u>
Due to (from) related party (Note 6)	544,613	(544,613)	-	-
Long-term debt (Note 4)	214,550	-	214,550	224,997
Obligation under capital lease (Note 5)	11,159	-	11,159	24,702
	<u>2,603,378</u>	<u>(470,834)</u>	<u>2,132,544</u>	<u>2,143,976</u>
Net assets (Note 6)				
Unrestricted	(1,368,074)	-	(1,368,074)	(1,002,409)
Invested in property and equipment	348,717	-	348,717	378,323
Equity in Captive	-	847,834	847,834	337,307
	<u>1,019,357</u>	<u>847,834</u>	<u>(171,523)</u>	<u>(286,779)</u>
	<u>\$1,584,021</u>	<u>\$ 377,000</u>	<u>\$1,961,021</u>	<u>\$ 1,857,197</u>

Approved on behalf of the Council:


 _____ President


 _____ Secretary/Treasurer

College of Veterinarians of British Columbia
Combined Statement of Operations

For the year ended June 30	Budget	General Fund	Captive Insurance Fund	2012	2011
Revenue					
Member dues	\$ 1,737,961	\$ 1,727,461	\$ -	\$ 1,727,461	\$ 1,461,445
Captive levies	-	521,770	-	521,770	-
HRT levies (Note 8)	-	-	-	-	475,947
Complaints and Discipline levies	-	-	-	-	300
Conference	-	-	-	-	388,847
Magazine/Website advertising	-	2,567	-	2,567	29,261
Examinations	36,000	35,600	-	35,600	39,310
Registration	45,000	52,528	-	52,528	70,734
Inspections	90,000	89,250	-	89,250	85,748
Interest	9,000	10,094	2,399	12,493	11,409
Merchandise sales (net)	-	-	-	-	887
Other	25,250	36,024	-	36,024	57,792
	1,943,211	2,475,294	2,399	2,477,693	2,621,680
Expenses					
Amortization	-	50,627	-	50,627	50,779
Bad debts	-	8,574	-	8,574	4,476
Conference	-	-	-	-	370,836
Donations and grants	8,000	4,540	-	4,540	5,828
Economic Survey	-	-	-	-	3,113
Insurance	25,000	50,376	-	50,376	84,126
Interest and penalties	-	-	397	397	-
Interest on capital lease	-	6,692	-	6,692	8,748
Interest on long-term debt	-	22,990	-	22,990	28,752
Legal - case	400,000	366,919	-	366,919	463,440
- general	160,000	523,037	-	523,037	286,404
- HRT (Note 8)	-	(99,137)	-	(99,137)	332,094
Magazine	-	-	-	-	6,988
Meetings	168,700	170,968	-	170,968	169,141
Office	171,000	142,791	2,515	145,306	119,457
Premium taxes	-	-	2,000	2,000	2,994
Professional services	349,000	316,190	57,230	373,420	277,962
Property taxes	-	16,769	-	16,769	16,915
Public relations	32,000	27,502	-	27,502	32,134
Reserve for future and unpaid claims	-	-	1,500	1,500	6,250
Salaries and benefits	650,000	665,685	-	665,685	631,170
Staff development	12,000	2,757	-	2,757	10,958
Telephone and utilities	12,000	16,278	-	16,278	24,545
Human solutions	6,000	5,237	-	5,237	5,212
	1,993,700	2,298,795	63,642	2,362,437	2,942,322
Excess (deficiency) of revenues over expenses for the year	\$ (50,489)	\$ 176,499	\$ (61,243)	\$ 115,256	\$ (320,642)

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

For the year ended June 30	Unrestricted	Invested in Property and Equipment	Equity in Captive	2012	2011
Balance, beginning of year	\$(1,002,409)	\$ 378,323	\$ 337,307	\$ (286,779)	\$ 33,863
Deficiency of revenue over expenses for the year	227,126	(50,627)	(61,243)	115,256	(320,642)
Interfund transfer	(592,791)	21,021	571,770	-	-
Balance, end of year	\$(1,368,074)	\$ 348,717	\$ 847,834	\$ (171,523)	\$ (286,779)

College of Veterinarians of British Columbia
Combined Statement of Cash Flows

For the year ended June 30	2012	2011
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 115,256	\$ (320,642)
Item not involving cash		
Amortization	50,627	50,779
	<u>165,883</u>	<u>(269,863)</u>
Changes in non-cash working capital balances		
Accounts receivable	70,290	(69,292)
Prepaid expenses	31,426	5,935
Accounts payable and accruals	(51,198)	208,054
Taxes payable	(4,362)	2,994
Reserve for unpaid claims	2,750	6,250
Deferred membership dues	84,010	39,145
	<u>298,799</u>	<u>(76,777)</u>
Investing activities		
Purchase of property and equipment	-	(21,646)
Net change in investments	<u>(401,487)</u>	<u>146,647</u>
	<u>(401,487)</u>	<u>125,001</u>
Financing activities		
Repayment of mortgage	(10,025)	(7,566)
Repayment of obligation under capital lease	(10,996)	(8,940)
Payment of term loan	(21,611)	(20,775)
Payment of promissory note	-	(60,000)
	<u>(42,632)</u>	<u>(97,281)</u>
Decrease in cash during the year	(145,320)	(49,057)
Cash, beginning of year	<u>611,361</u>	<u>660,418</u>
Cash, end of year	<u>\$ 466,041</u>	<u>\$ 611,361</u>

College of Veterinarians of British Columbia

Summary of Significant Accounting Policies

June 30, 2012

Purpose of 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 repealed the former Veterinarians Act effective September 15, 2010. Under the Act, the College (formerly British Columbia Veterinary Medical Association) continues as a corporation under the name College of Veterinarians of British Columbia. The Act clarified the public interest mandate and made significant changes to the registration, complaint and discipline processes.

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

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

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

Revenue

The College follows the deferral method of accounting for membership dues. Membership dues are deferred and recognized over the membership year of January 1 to December 31, which differs from the College'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.

College of Veterinarians of British Columbia

Summary of Significant Accounting Policies

June 30, 2012

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

Held-for-trading

The College 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 College has classified accounts receivable as loans and receivables. These 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 College 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.

College of Veterinarians of British Columbia

Summary of Significant Accounting Policies

June 30, 2012

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 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.

Use of Estimates The financial statements of the College 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. The most significant areas for estimates relate to legal contingencies (Note 9) .

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 **Future Direction of Standards for Not-for-Profit Organizations**

The Canadian Institute of Chartered Accountants ("CICA") has approved a new framework for not-for-profit organizations ("NPO") that will be incorporated into Part III of the CICA Handbook. Part III will 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 NPOs. In addition an 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.

These new standards will be effective for the College's 2013 fiscal year. The College is currently assessing the impact of the above noted new standards on its financial statements.

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2012

1. Continued Operations

The College has incurred significant deficits in recent years as a result of complaints and disciplinary matters. These amounts were not fully funded with result that there is an accumulated deficit in unrestricted funds of \$1,368,074. For the fiscal year ending June 30, 2012 the College agreed to a deficit budget, to be supplemented by levy payments when necessary. There continue to be unresolved legal contingencies (Note 9) and as a result of the associated legal costs the unrestricted funds continue in a deficit position.

The continued operations of the organization are dependent upon resolution of the extraordinary legal matters and available funding from membership to cover costs incurred to date.

2. Cash and Short-term Investments

The College'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 1.20% to 1.40% 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 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.

Interest Rate Risk

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

Currency Risk

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

Credit and Market Risk

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

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2012

3. Property and Equipment

	2012		2011	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 301,393	\$ 480,414	\$ 505,699
Furniture and fixtures	25,017	16,598	8,419	10,523
Computer hardware	101,225	78,851	22,374	27,968
Computer software	79,602	21,074	58,528	62,749
Office equipment	36,361	25,854	10,507	13,133
Equipment under capital lease	54,104	35,950	18,154	28,951
	\$ 1,078,116	\$ 479,720	\$ 598,396	\$ 649,023

Amortization expense of equipment under capital lease in current year is \$10,797 (2011 - 10,797).

4. Long-term Debt

	2012		2011	
Mortgage payable to finance a portion of the building purchase, repayable in monthly installments of \$1,603 including interest at 4% per annum until February 2013 (Fair value - 2012: \$229,231 , 2011: \$237,727) ¹	\$	224,977	\$	235,002
Term loan, due on demand and repayable in blended monthly payments of \$2,950 with an interest rate of 3.99% and maturing on May 10, 2024 (Fair value - 2012: \$331,694 2011: \$329,642) ²		335,699		357,310
Promissory note payable to the Canadian Veterinary Medical College with an interest rate of 5% per annum commencing April 1, 2012, repayable until March 31, 2013 (Fair value - 2012: \$58,140, 2011: \$57,971)		60,000		60,000
		620,676		652,312
Less: current portion		(406,126)		(427,315)
	\$	214,550	\$	224,997

The College has a business operating line of credit, limit of \$250,000, due on demand bearing an interest rate of prime plus 0.5%. As at year end the College has not drawn upon these funds (2011 - \$nil).

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2012

4. Long-term Debt (Continued)

¹ 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 College 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.

² The College 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 College to maintain a debt service coverage ratio of 1.1:1. As at June 30, 2012, the College 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 College not being in compliance with the covenants.

Future minimum principal payments required are:

2013	\$	406,126
2014		10,851
2015		11,294
2016		11,754
2017		12,233
Thereafter		<u>168,418</u>
	<u>\$</u>	<u>620,676</u>

5. Obligation Under Capital Lease

	2012	2011
Obligation under capital lease - due January 3, 2014, repayable in monthly installments of \$1,414 including principal and interest	\$ 23,779	\$ 34,623
Obligation under capital lease - due September 6, 2014, repayable in quarterly installments of \$180 including principal and interest	<u>923</u>	<u>1,075</u>
	24,702	35,698
Less: current portion	<u>(13,543)</u>	<u>(10,996)</u>
	<u>\$ 11,159</u>	<u>\$ 24,702</u>

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2012

5. Obligation Under Capital Lease (Continued)

The future minimum lease payments are as follows:

2013	\$	17,688
2014		12,032
2015		<u>360</u>
		30,080
Less: imputed interest		<u>(5,335)</u>
	\$	<u>24,745</u>

6. Net Assets

The College segregates its net assets into various funds.

The amount invested in property and equipment represents the College'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 College and Captive directors and officers. The College 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 College has an RRSP contribution plan. All individuals who have been employed by the College for a term longer than 6 months are entitled to a contribution by the College to their RRSP in the amount of 4% of their annual earnings. The College contributed \$17,593 (2011 - \$18,555) 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 College has accrued \$21,415 (2011 - \$72,772) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2012

8. Human Rights Tribunal Levies

In prior year, the College collected levy funds internally restricted towards covering legal costs related to the Human Rights Tribunal (HRT) case.

	2012	2011
HRT levies revenue	\$ -	\$ 475,947
Unused balance from prior year	143,853	-
	143,853	475,947
HRT expenses (recovery) including taxes and disbursements	99,137	(332,094)
	<u>\$ 242,990</u>	<u>\$ 143,853</u>

9. Contingent Liabilities

The College is presently involved with a number of claims. The College 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 College's objective when managing capital is to safeguard the College's ability to effectively carry out its mandate to regulate the profession. The College considers the items in net assets as capital. The College 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 College may impose special levies on its members or raise membership fees for its members. The College is not subject to externally imposed capital requirements other than those noted in Note 4.