

**College of Veterinarians of
British Columbia**
Consolidated Financial Statements
For the year ended June 30, 2017

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Consolidated Financial Statements
For the year ended June 30, 2017

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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, 2017 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, 2017 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
October 17, 2017

College of Veterinarians of British Columbia
Consolidated Statement of Financial Position

	June 30, 2017	June 30, 2016
Assets		
Current		
Cash (Note 2)	\$1,215,498	\$ 346,640
Short-term investments (Note 3)	1,458,265	2,363,844
Accounts receivable	10,986	29,712
Prepaid expenses	52,339	26,985
Restricted cash (Note 4)	200,000	-
Assets held for sale (Note 4)	402,885	-
	3,339,973	2,767,181
Property and equipment (Note 5)	77,205	469,586
	\$3,417,178	\$ 3,236,767
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 617,325	\$ 533,939
Income taxes payable (Note 6)	4,401	2,105
Provision for unpaid and future claims (Note 7)	50,000	45,000
Deferred membership dues	1,052,771	973,274
Deposits (Note 4)	200,000	-
Current portion of mortgage payable (Note 8)	796,124	22,310
Current portion of obligation under capital lease (Note 9)	3,584	13,711
	2,724,205	1,590,339
Long-term		
Mortgage payable (Note 8)	-	796,530
Obligation under capital lease (Note 9)	-	3,591
	2,724,205	2,390,460
Net assets		
Unrestricted	645,234	830,619
Equity in Captive Insurance Fund	47,739	15,688
	692,973	846,307
	\$3,417,178	\$ 3,236,767

Contingent Liabilities (Note 11)

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

2017

2016

Revenue

Member dues	\$ 2,003,926	\$ 1,921,526
Inspections	103,149	115,881
Registration	78,800	74,700
Interest	56,487	36,163
Examinations	50,450	54,415
Other	5,631	78,110
Website advertising	2,380	2,685

2,300,823 **2,283,480**

Expenses

Salaries and benefits	934,987	823,235
Legal	613,219	845,036
Professional services	250,567	278,549
Office	233,957	166,627
Meetings	217,421	155,985
Amortization	52,912	46,109
Interest on long-term debt	36,869	37,870
Telephone and utilities	20,815	15,165
Public relations	19,342	-
Property taxes	17,684	17,253
Staff development	16,865	9,438
Captive management fees	12,600	12,062
Human solutions	9,742	9,936
Provision for unpaid and future claims	5,000	5,000
Insurance	2,887	479
Donations and grants	1,742	5,724
Premium taxes	1,667	2,000
Interest on capital lease	826	1,820
Bad debt	-	36,704

2,449,102 **2,468,992**

(Deficiency) of revenues over expenses before income taxes

(148,279) **(185,512)**

Income tax expense (Note 6)

(5,055) **(2,105)**

(Deficiency) of revenues over expenses for the year

\$ (153,334) **\$ (187,617)**

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

	General Fund	Captive Insurance Fund	2017	2016
Balance, June 30, 2016	\$ 830,619	\$ 15,688	\$ 846,307	\$ 1,033,924
Excess (deficiency) of revenues over expenses for the year	(185,385)	32,051	(153,334)	(187,617)
Balance, June 30, 2017	\$ 645,234	\$ 47,739	\$ 692,973	\$ 846,307

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

College of Veterinarians of British Columbia
Consolidated Statement of Cash Flows

For the year ended June 30	2017	2016
Cash provided by (used in)		
Operating activities		
Deficiency of revenues over expenses for the year	\$ (153,334)	\$ (187,617)
Item not involving cash		
Amortization	52,912	46,109
Provision for unpaid and future claims	5,000	5,000
	(95,422)	(136,508)
Changes in non-cash working capital balances		
Short term investments - accrued income	(14,421)	(274)
Accounts receivable	18,726	4,474
Prepaid expenses	(25,354)	(12,575)
Accounts payable and accrued liabilities	83,386	325,098
Income taxes payable	2,296	2,105
Deferred membership dues	79,497	40,559
	48,708	222,879
Investing activities		
Purchase of property and equipment	(63,416)	(19,778)
Redemption of short-term investments	920,000	80,000
	856,584	60,222
Financing activities		
Repayment of mortgage payable	(22,716)	(21,608)
Repayment of obligation under capital lease	(13,718)	(12,724)
	(36,434)	(34,332)
Increase in cash during the year	868,858	248,769
Cash, beginning of year	346,640	97,871
Cash, end of year	\$ 1,215,498	\$ 346,640

College of Veterinarians of British Columbia

Notes to the Consolidated Financial Statements

June 30, 2017

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 College holds 10,266 (100%) of the common shares of the Captive. 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, 2017.

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, 2017

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 subsidiary of the College and intercompany balances and transactions have been eliminated upon consolidation. The results of the Captive are consolidated into the College as of June 30.

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

Building	- 5% declining balance basis
Furniture and fixtures	- 20% declining balance basis
Computer and office equipment	- 20% declining balance basis
Equipment under capital lease	- Straight line over lease term
Building improvements	- 20% declining balance basis

Assets held for Sale Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

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.

Interest and other revenue is recognized in the year when earned.

Income Taxes The Captive is a taxable entity and 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 College 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, 2017

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

Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. 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, 2017

2. Cash

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

3 Short-term Investments

	2017	2016
Operating term deposits - Vancity		
- Matures on October 10, 2017 at 3.05% (2016 - 1.70%)	\$ 1,200,000	\$ 1,200,000
Operating term deposit - Vancity		
- Matures on January 30, 2020 at 2.20% (2016 - 3.05%)	225,000	225,000
Operating term deposit - Vancity		
- Matured on December 24, 2016 at 1.20% (2016 - 1.20%)	-	840,000
Operating term deposit - Vancity		
- Matured on February 16, 2017 at 1.10% (2016 - 1.10%)	-	80,000
Accrued Interest	26,355	14,755
Membership shares	6,910	4,089
	\$ 1,458,265	\$ 2,363,844

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

4. Assets Held For Sale

In March 2017, the College committed to a plan to sell the building along with the building improvements. As such, the building and building improvements have been presented as assets held for sale.

Subsequent to listing the assets held for sale, the College received a \$2,000,000 offer for the sale of its building and building improvements. The offer was reviewed and approved by Council. A \$200,000 deposit was received in trust for the sale.

Subsequent to the year end, the sales agreement was finalized at the original \$2,000,000 amount and the building along with the building improvements were sold.

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

June 30, 2017

5. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ -	\$ -	\$ -	\$ 391,300
Furniture and fixtures	28,388	24,031	4,357	3,449
Computer hardware	128,915	98,854	30,061	16,486
Computer software	85,566	59,734	25,832	28,536
Office equipment	47,909	33,549	14,360	6,191
Equipment under capital lease	61,802	59,207	2,595	18,146
Building improvements	-	-	-	5,478
	\$ 352,580	\$ 275,375	\$ 77,205	\$ 469,586

Amortization expense of equipment under capital lease in current year is \$15,551 (2016 - \$12,097).

During the current year, the College committed to a plan to sell the building and the associated improvements, therefore these assets have been presented separately as assets held for sale as described in Note 4.

6. Income Taxes

	2017	2016
(Deficiency) of revenues over expenses before income taxes	\$ (148,279)	\$ (185,512)
Adjusted for tax differences:		
College amounts not subject to tax	185,384	222,163
Non-deductible accounting IBNR reserve	5,000	5,000
Non-deductible expenses	19	-
Net deductible reserves	-	(4,750)
Losses utilized	-	(21,011)
Taxable income for the year	42,124	15,890
Statutory rate	12.00%	13.25%
Income tax expense	\$ 5,055	\$ 2,105

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

June 30, 2017

7. 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 2017 for the year ended April 30, 2017. The net provision for unpaid and future claims estimated by the actuary was \$51,629 (2016 - \$48,188). The net provision for unpaid and future claims was recorded at \$50,000 (2016 - \$45,000) as an estimate made by management based on reports from the actuary.

8. Credit Facilities

	2017	2016
Mortgage payable, repayable in monthly installments of \$1,824 including interest at 4.59% per annum until December 2037 ¹	\$ 292,884	\$ 301,241
Mortgage payable, repayable in monthly installments of \$3,133 including interest at 4.59% per annum until December 2037 ¹	503,240	517,599
	796,124	818,840
Less: current portion	(796,124)	(22,310)
	\$ -	\$ 796,530

During the current year, the College committed to a plan to sell the building and the associated improvements as described in Note 4. As such, the collateralized mortgage has been classified as a current liability.

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, 2017 and 2016, the College has not drawn upon these funds.

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

June 30, 2017

9. Obligation Under Capital Lease

	<u>2017</u>	<u>2016</u>
Obligation under capital lease - due September 2017, repayable in monthly installments of \$1,212 including principal and interest at 7.5%	\$ 3,584	\$ 17,302
Less: current portion	<u>(3,584)</u>	<u>(13,711)</u>
	<u>\$ -</u>	<u>\$ 3,591</u>

10. Employee Future Benefits

During the year, the College contributed \$25,188 (2016 - \$20,775) to employees' RRSPs.

Depending on their position, an employee is entitled to at least two weeks of annual paid vacation leave which 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, 2017, the College accrued \$34,134 (2016 - \$19,218) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

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.

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

June 30, 2017

12. Commitments

The College entered into a premise lease for 7 years commencing November 1, 2017 and expiring on October 31, 2024. In addition, the College entered into a equipment lease for 5 years commencing July 27, 2017 and expiring on July 26, 2022. The minimum annual lease payments for the next five years are as follows:

	<u>2017</u>
2018	\$ 45,993
2019	66,716
2020	66,716
2021	71,030
2022	73,186
Thereafter	<u>163,603</u>
	<u>\$ 487,244</u>

13. 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, 2017. There has been no changes to these risks from the prior year.

(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.

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

June 30, 2017

13. Financial Instruments Risks (Continued)

(d) Capital Risk Management

As required by the Insurance (Captive Company) Act of British Columbia, the Captive must maintain a minimum shareholder's equity of \$200,000 and minimum reserves of \$100,000. During the year ended June 30, 2017, the Captive complied with this requirement.

14. Comparative Figures

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