

**College of Veterinarians of
British Columbia
(Formerly British Columbia Veterinary
Medical Association)
Combined Financial Statements
For the year ended June 30, 2011**

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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 (formerly British Columbia Veterinary Medical Association), which comprise the Statement of Financial Position as at June 30, 2011, and the 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 financial statements present fairly, in all material respects, the financial position of the College of Veterinarians of British Columbia as at June 30, 2011 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 which indicates that the entity incurred a deficiency of revenues over expenditures of \$320,642 for the year ended June 30, 2011 and, as of that date, the entities current liabilities exceeded its current assets by \$686,103. 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
November 18, 2011

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Statement of Financial Position**

| June 30 | General Fund | Captive Insurance Fund | 2011 | 2010 |
|--|--------------------|------------------------------|--------------------|---------------------|
| Assets | | | | |
| Current | | | | |
| Cash (Note 2) | \$ 237,821 | \$ 373,540 | \$ 611,361 | \$ 660,418 |
| Short-term investments (Note 2) | 417,503 | - | 417,503 | 564,150 |
| Accounts receivable | 113,368 | - | 113,368 | 44,076 |
| Prepaid expenses | 65,942 | - | 65,942 | 71,877 |
| | <u>834,634</u> | <u>373,540</u> | <u>1,208,174</u> | <u>1,340,521</u> |
| Property and equipment (Note 3) | 649,023 | - | 649,023 | 678,156 |
| Due from related party (Note 6) | 112,109 | (112,109) | - | - |
| | <u>\$1,595,766</u> | <u>\$ 261,431</u> | <u>\$1,857,197</u> | <u>\$2,018,677</u> |
| Liabilities and Net Assets | | | | |
| Liabilities | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | \$ 567,774 | \$ 47,679 | \$ 615,453 | \$ 407,399 |
| Taxes payable | - | 6,695 | 6,695 | 3,701 |
| Reserve for unpaid claims | - | 12,250 | 12,250 | 6,000 |
| Deferred membership dues | 821,568 | - | 821,568 | 782,423 |
| Current portion of long-term debt (Note 4) | 427,315 | - | 427,315 | 445,517 |
| Current portion of obligation under capital lease (Note 5) | 10,996 | - | 10,996 | 8,940 |
| | <u>1,827,653</u> | <u>66,624</u> | <u>1,894,277</u> | <u>1,653,980</u> |
| Long-term debt (Note 4) | 224,997 | - | 224,997 | 295,136 |
| Obligation under capital lease (Note 5) | 24,702 | - | 24,702 | 35,698 |
| | <u>2,077,352</u> | <u>66,624</u> | <u>2,143,976</u> | <u>1,984,814</u> |
| Net assets (Note 6) | | | | |
| Unrestricted | (859,909) | - | (859,909) | (602,902) |
| Invested in property and equipment | 378,323 | - | 378,323 | 390,949 |
| Equity in Captive | - | 194,807 | 194,807 | 245,816 |
| | <u>(481,586)</u> | <u>194,807</u> | <u>(286,779)</u> | <u>33,863</u> |
| | <u>\$1,595,766</u> | <u>\$ 261,431</u> | <u>\$1,857,197</u> | <u>\$ 2,018,677</u> |

Approved on behalf of the Council:

_____ President

_____ Secretary/Treasurer

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Statement of Operations**

| For the year ended June 30 | Budget | General Fund | Captive Insurance Fund | 2011 | 2010 |
|---|---------------------|-------------------------|---------------------------------------|---------------------|---------------------|
| Revenue | | | | | |
| Member dues | \$ 1,550,735 | \$ 1,461,445 | \$ - | \$ 1,461,445 | \$ 1,826,418 |
| Special levies | - | 300 | - | 300 | 650 |
| HRT levies (Note 8) | - | 475,947 | - | 475,947 | 470,884 |
| Conference | 81,000 | 388,847 | - | 388,847 | 108,097 |
| Magazine/Website advertising | 123,500 | 29,261 | - | 29,261 | 88,490 |
| Examinations | 35,000 | 39,310 | - | 39,310 | 29,665 |
| Registration | 61,000 | 70,734 | - | 70,734 | 57,841 |
| Inspections | 85,000 | 85,748 | - | 85,748 | 78,550 |
| Interest | 23,000 | 10,454 | 955 | 11,409 | 5,237 |
| Merchandise sales (net) | 4,000 | 887 | - | 887 | 3,481 |
| Other | - | 57,792 | - | 57,792 | 26,950 |
| Insurance rebates | 4,000 | - | - | - | 8,787 |
| HRT donations (Note 8) | - | - | - | - | 32,845 |
| | 1,967,235 | 2,620,725 | 955 | 2,621,680 | 2,737,245 |
| Less: Dues collected on behalf of Canadian Veterinary Medical Association | - | - | - | - | (311,808) |
| | 1,967,235 | 2,620,725 | 955 | 2,621,680 | 2,425,437 |
| Expenses | | | | | |
| Amortization | - | 50,779 | - | 50,779 | 52,623 |
| Bad debts | - | 4,476 | - | 4,476 | 98 |
| Conference | 85,000 | 370,836 | - | 370,836 | 87,777 |
| Donations and grants | 10,000 | 5,828 | - | 5,828 | 3,974 |
| Economic Survey | 3,000 | 3,113 | - | 3,113 | 2,542 |
| Insurance | 75,000 | 84,126 | - | 84,126 | 53,859 |
| Interest on long-term debt | 37,400 | 28,752 | - | 28,752 | 32,652 |
| Interest on capital lease | - | 8,748 | - | 8,748 | 10,363 |
| Legal - case | 600,000 | 463,440 | - | 463,440 | 493,164 |
| - general | 100,000 | 286,404 | - | 286,404 | 123,407 |
| - HRT (Note 8) | - | 332,094 | - | 332,094 | 563,212 |
| Magazine | 55,000 | 6,988 | - | 6,988 | 40,547 |
| Meetings | 224,500 | 169,141 | - | 169,141 | 197,488 |
| Office | 135,400 | 116,957 | 2,500 | 119,457 | 146,452 |
| Professional services | 304,700 | 237,742 | 40,220 | 277,962 | 281,822 |
| Property taxes | 16,000 | 16,915 | - | 16,915 | 15,882 |
| Public relations | 35,000 | 32,134 | - | 32,134 | 38,985 |
| Premium taxes | - | - | 2,994 | 2,994 | 1,700 |
| Income taxes (recovery) | - | - | - | - | (2,701) |
| Reserve for future and unpaid claims | - | - | 6,250 | 6,250 | - |
| Salaries and benefits | 635,000 | 631,170 | - | 631,170 | 604,486 |
| Staff development | 8,000 | 10,958 | - | 10,958 | 7,570 |
| Telephone and utilities | 24,000 | 24,545 | - | 24,545 | 19,729 |
| Wilson Banwell program | 4,000 | 5,212 | - | 5,212 | 6,143 |
| | 2,352,000 | 2,890,358 | 51,964 | 2,942,322 | 2,781,774 |
| Deficiency of revenues over expenses for the year | \$ (384,765) | \$ (269,633) | \$ (51,009) | \$ (320,642) | \$ (356,337) |

**College of Veterinarians of British Columbia
(Formerly 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 | 2011 | 2010 |
|--|---------------------|---|----------------------------------|---------------------|------------------|
| Balance, beginning of year | \$ (602,902) | \$ 390,949 | \$ 245,816 | \$ 33,863 | \$ 390,200 |
| Deficiency of revenue over expenses for the year | (218,854) | (50,779) | (51,009) | (320,642) | (356,337) |
| Acquisition of equipment | (21,646) | 21,646 | - | - | - |
| Interfund transfers | (16,507) | 16,507 | - | - | - |
| Balance, end of year | \$ (859,909) | \$ 378,323 | \$ 194,807 | \$ (286,779) | \$ 33,863 |

College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Statement of Cash Flows

| For the year ended June 30 | 2011 | 2010 |
|---|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Deficiency of revenue over expenses for the year Item not involving cash | \$ (320,642) | \$ (356,337) |
| Amortization | <u>50,779</u> | <u>52,623</u> |
| | (269,863) | (303,714) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (69,292) | (5,074) |
| Special levies receivable | - | 310,080 |
| Prepaid expenses | 5,935 | (44,934) |
| Accounts payable and accruals | 208,054 | 204,481 |
| Taxes payable | 2,994 | (724) |
| Reserve for unpaid claims | 6,250 | - |
| Deferred membership dues | <u>39,145</u> | <u>175,600</u> |
| | (76,777) | 335,715 |
| Investing activities | | |
| Purchase of property and equipment | (21,646) | (60,064) |
| Net change in investments | <u>146,647</u> | <u>(353,339)</u> |
| | 125,001 | (413,403) |
| Financing activities | | |
| Repayment of mortgage | (7,566) | (7,178) |
| Repayment of obligation under capital lease | (8,940) | (7,326) |
| Payment of term loan | (20,775) | (20,289) |
| Payment of promissory note | <u>(60,000)</u> | <u>(60,000)</u> |
| | (97,281) | (94,793) |
| Decrease in cash during the year | (49,057) | (172,481) |
| Cash, beginning of year | <u>660,418</u> | <u>832,899</u> |
| Cash, end of year | \$ 611,361 | \$ 660,418 |

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Summary of Significant Accounting Policies**

June 30, 2011

**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 |

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 (formerly December 1 to November 30), 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
(Formerly British Columbia Veterinary Medical Association)
Summary of Significant Accounting Policies**

June 30, 2011

Revenue (Continued) HRT donation revenues are recognized as revenue upon receipt.

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 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 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
(Formerly British Columbia Veterinary Medical Association)
Summary of Significant Accounting Policies**

June 30, 2011

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(a)) and accounts payable related to legal charges (Note 9 (b)).

**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 Accounting Changes**

The Accounting Standards Board has approved a new framework for not-for-profit organizations (“NPOs”) that is based on the existing Canadian Generally Accepted Accounting Principles and incorporates this 4400 series of standard which relate to situations unique to NPOs. The new standards are available as of December 31, 2010 as part III of the Canadian Institute of Chartered Accountants (“CICA”) Handbook - Accounting and are effective for reporting periods beginning on or after January 1, 2012. The College is currently evaluating the impact of the transition on its financial statements.

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Notes to the Financial Statements**

June 30, 2011

1. Continued Operations

The College has incurred significant deficits in recent years and currently has a deficit in its unrestricted funds of \$859,909. Expenses for complaint and discipline matters under the Veterinarians Act were in the range forecasted; however, at the request of the College 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 (a)) and as a result of the associated legal costs the unrestricted funds continue in a deficit position. The College also faces potential liability from disputed legal fees (Note 9 (b)) and subsequent to year end has been billed for more than \$300,000 in further legal fees.

It is anticipated that the transition to new Veterinarians Act should help to stabilize the costs of many aspects of the College's operations including legal costs. The continued operations of the organization are dependent upon resolution of the extraordinary legal matters and available funding from government and/or 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 1.00% to 1.35% 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
(Formerly British Columbia Veterinary Medical Association)
Notes to the Financial Statements**

June 30, 2011

3. Property and Equipment

| | <u>2011</u> | | <u>2010</u> | |
|----------------------------------|---------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Building | \$ 781,807 | \$ 276,108 | \$ 505,699 | \$ 532,315 |
| Furniture and fixtures | 25,017 | 14,494 | 10,523 | 10,082 |
| Computer hardware | 101,225 | 73,257 | 27,968 | 33,544 |
| Computer software | 79,602 | 16,853 | 62,749 | 46,931 |
| Office equipment | 36,361 | 23,228 | 13,133 | 15,536 |
| Equipment under capital lease | 54,104 | 25,153 | 28,951 | 39,748 |
| | <u>\$ 1,078,116</u> | <u>\$ 429,093</u> | <u>\$ 649,023</u> | <u>\$ 678,156</u> |

4. Long-term Debt

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| 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 - 2011: \$237,727 , 2010: \$250,317) ¹ | \$ 235,002 | \$ 242,568 |
| 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 - 2011: \$329,642 2010: \$337,742) ² | 357,310 | 378,085 |
| Promissory note payable to the Canadian Veterinary Medical College, interest-free, repayable in annual installments of \$60,000 commencing April 1, 2009 until repaid April 1, 2012 (Fair value - 2011: \$57,971, 2010: \$112,754) | 60,000 | 120,000 |
| | <u>652,312</u> | <u>740,653</u> |
| Less: current portion | <u>(427,315)</u> | <u>(445,518)</u> |
| | <u>\$ 224,997</u> | <u>\$ 295,135</u> |

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 (2010 - \$nil).

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Notes to the Financial Statements**

June 30, 2011

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, 2011, 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:

| | | | |
|--|------------|-----------|----------------|
| | 2012 | \$ | 427,315 |
| | 2013 | | 10,413 |
| | 2014 | | 10,837 |
| | 2015 | | 11,279 |
| | 2016 | | 11,738 |
| | Thereafter | | 180,730 |
| | | \$ | 652,312 |

5. Obligation Under Capital Lease

| | 2011 | 2010 |
|---|------------------|------------------|
| Obligation under capital lease - due January 3, 2014, repayable in monthly installments of \$1,414 including principal and interest | \$ 34,623 | \$ 43,471 |
| Obligation under capital lease - due September 6, 2014, repayable in quarterly installments of \$180 including principal and interest | 1,075 | 1,167 |
| | 35,698 | 44,638 |
| Less: current portion | (10,996) | (8,940) |
| | \$ 24,702 | \$ 35,698 |

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Notes to the Financial Statements**

June 30, 2011

5. Obligation Under Capital Lease (Continued)

The future minimum lease payments are as follows:

| | | |
|------------------------|----|---------------------|
| 2012 | \$ | 17,688 |
| 2013 | | 17,688 |
| 2014 | | 12,032 |
| 2015 | | 317 |
| | | <hr/> |
| | | 47,725 |
| Less: imputed interest | | <hr/> (12,027) |
| | \$ | <hr/> 35,698 |

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 \$18,555 (2010 - \$19,523) 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 \$72,772 (2010 - \$35,385) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

**College of Veterinarians of British Columbia
(Formerly British Columbia Veterinary Medical Association)
Notes to the Financial Statements**

June 30, 2011

8. Human Rights Tribunal Levies

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

| | 2011 | 2010 |
|-----------------------|-------------------|--------------------|
| HRT levies revenue | \$ 475,947 | \$ 470,884 |
| HRT donations revenue | - | 32,845 |
| | <u>475,947</u> | <u>503,729</u> |
| HRT legal expenses | <u>(332,094)</u> | <u>(563,212)</u> |
| | <u>\$ 143,853</u> | <u>\$ (59,483)</u> |

9. Contingent Liabilities

(a) Legal Matters

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.

(b) Legal Billings

Legal billings exceed by \$283,000 management's estimate of the maximum allowed pursuant to the legal firm's agreement to cap legal fees related to the Human Rights Tribunal matter. The excess billings total \$283,000 and these amounts have not been accrued in these financial statements. Should a settlement be reached with the lawyers that requires the payment of some or all of this amount, such amounts will be recorded in the period that the settlement is made.

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.