

**College of Veterinarians of
British Columbia
Consolidated Financial Statements
For the year ended June 30, 2014**

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British Columbia
Consolidated Financial Statements
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Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

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, 2014 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, 2014 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 Accountants

Vancouver, British Columbia
September 27, 2014

**College of Veterinarians of British Columbia
Consolidated Statement of Financial Position**

	General Fund	Captive Insurance Fund	Elimination	June 30, 2014	June 30, 2013
Assets					
Current					
Cash (Note 2)	\$ 108,979	\$ 1,219,633	\$ -	\$ 1,328,612	\$ 1,295,034
Short-term investments (Note 2)	1,129,832	-	-	1,129,832	995,475
Accounts receivable	26,268	-	-	26,268	35,258
Prepaid expenses	12,836	-	-	12,836	13,898
	<u>1,277,915</u>	<u>1,219,633</u>	<u>-</u>	<u>2,497,548</u>	<u>2,339,665</u>
Property and equipment (Note 3)	543,297	-	-	543,297	595,282
Investment in Captive Insurance Fund	1,176,395	-	(1,176,395)	-	-
	<u>\$2,997,607</u>	<u>\$1,219,633</u>	<u>\$(1,176,395)</u>	<u>\$3,040,845</u>	<u>\$ 2,934,947</u>
Liabilities and Net Assets					
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 99,870	\$ 48,404	\$ -	\$ 148,274	\$ 157,827
Reserve for unpaid claims (Note 4)	-	40,000	-	40,000	15,000
Deferred membership dues	928,342	-	-	928,342	893,068
Current portion of long-term debt (Note 5)	20,357	-	-	20,357	19,445
Current portion of obligation under capital lease (Note 6)	11,807	-	-	11,807	11,371
	<u>1,060,376</u>	<u>88,404</u>	<u>-</u>	<u>1,148,780</u>	<u>1,096,711</u>
Long-term debt (Note 5)	840,841	-	-	840,841	861,582
Obligation under capital lease (Note 6)	30,026	-	-	30,026	42,089
	<u>1,931,243</u>	<u>88,404</u>	<u>-</u>	<u>2,019,647</u>	<u>2,000,382</u>
Net assets (Note 7)					
Unrestricted	1,066,364	-	-	1,066,364	951,236
Equity in Captive Insurance Fund	-	1,131,229	(1,176,395)	(45,166)	(16,671)
	<u>1,066,364</u>	<u>1,131,229</u>	<u>(1,176,395)</u>	<u>1,021,198</u>	<u>934,565</u>
	<u>\$2,997,607</u>	<u>\$1,219,633</u>	<u>\$(1,176,395)</u>	<u>\$3,040,845</u>	<u>\$ 2,934,947</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	2014	2013
Revenue					
Member dues	\$ 1,799,592	\$ -	\$ -	\$ 1,799,592	\$ 1,805,015
Captive levies	-	-	-	-	4,825
Premiums	-	50,000	(50,000)	-	-
Website advertising	4,079	-	-	4,079	3,126
Examinations	36,168	-	-	36,168	30,300
Registration	53,400	-	-	53,400	44,300
Inspections	139,400	-	-	139,400	82,450
Interest	19,295	9,281	-	28,576	17,059
Other	147,390	-	-	147,390	88,091
	2,199,324	59,281	(50,000)	2,208,605	2,075,166
Expenses					
Amortization	51,985	-	-	51,985	46,002
Bad debt (recovery)	68,560	-	-	68,560	(2,095)
Donations and grants	4,575	-	-	4,575	4,199
Human solutions	5,351	-	-	5,351	5,351
Insurance	53,199	-	(50,000)	3,199	12,865
Interest on capital lease	3,588	-	-	3,588	3,681
Interest on long-term debt	39,650	-	-	39,650	32,911
Legal	517,553	-	-	517,553	444,057
Management Fees	-	28,740	-	28,740	20,000
Meetings	180,122	-	-	180,122	129,475
Office	181,264	8,816	-	190,080	136,615
Premium taxes	-	2,667	-	2,667	3,072
Professional services	308,424	22,553	-	330,977	385,430
Property taxes	17,413	-	-	17,413	16,750
Public relations	-	-	-	-	5,514
Reserve for future and unpaid claims	-	25,000	-	25,000	-
Salaries and benefits	631,844	-	-	631,844	468,669
Staff development	2,994	-	-	2,994	2,783
Telephone and utilities	17,674	-	-	17,674	16,969
	2,084,196	87,776	(50,000)	2,121,972	1,732,248
Excess (deficiency) of revenues over expenses from operations for the year	115,128	(28,495)	-	86,633	342,918
Complaints and Discipline levies	-	-	-	-	763,170
Excess (deficiency) of revenues over expenses for the year	\$ 115,128	\$ (28,495)	\$ -	\$ 86,633	\$ 1,106,088

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

	June 30, 2014	June 30, 2013
Assets		
Current		
Cash	\$ 108,979	\$ 191,624
Short-term investments	1,129,832	995,475
Amounts receivable	26,268	35,258
Prepaid expenses	12,836	13,898
	1,277,915	1,236,255
Property and equipment	543,297	595,282
Investment in Captive Insurance Fund	1,176,395	1,076,395
	\$ 2,997,607	\$ 2,907,932
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 99,870	\$ 106,298
Deferred membership dues	928,342	893,068
Current portion of long-term debt	20,357	19,445
Current portion of obligation under capital lease	11,807	11,371
	1,060,376	1,030,182
Due to related party	-	22,843
Long-term debt	840,841	861,582
Obligation under capital lease	30,026	42,089
	1,931,243	1,956,696
Unrestricted Net Assets	1,066,364	951,236
	\$ 2,997,607	\$ 2,907,932

College of Veterinarians of British Columbia
General Fund Statement of Operations

For the year ended June 30	Budget	2014	2013
Revenue			
Member dues	\$ 1,789,531	\$ 1,799,592	\$ 1,805,015
Captive levies	-	-	4,825
Website advertising	-	4,079	3,126
Examinations	30,000	36,168	30,300
Registration	38,000	53,400	44,300
Inspections	85,000	139,400	82,450
Interest	-	19,295	14,192
Other	17,000	147,390	88,091
	<u>1,959,531</u>	<u>2,199,324</u>	<u>2,072,299</u>
Expenses			
Amortization	-	51,985	46,002
Bad debts recovery	-	68,560	(2,095)
Donations and grants	4,200	4,575	4,199
Human solutions	6,000	5,351	5,351
Insurance	65,000	53,199	62,865
Interest on capital lease	-	3,588	3,681
Interest on long-term debt	61,630	39,650	32,911
Legal	441,971	517,553	444,057
Meetings	212,000	180,122	129,475
Office	174,000	181,264	131,680
Professional services	295,000	308,424	367,635
Property taxes	17,000	17,413	16,750
Public relations	10,000	-	5,514
Salaries and benefits	639,730	631,844	468,669
Staff development	10,000	2,994	2,783
Telephone and utilities	23,000	17,674	16,969
	<u>1,959,531</u>	<u>2,084,196</u>	<u>1,736,446</u>
Excess (deficiency) of revenues over expenses from operations for the year	86,633	115,128	335,853
Complaints and Discipline levies	-	-	763,170
Excess (deficiency) of revenues over expenses for the year	<u>\$ 86,633</u>	<u>\$ 115,128</u>	<u>\$ 1,099,023</u>

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

	General Fund	Captive Insurance Fund	2014	2013
Balance, June 30, 2013	\$ 951,236	\$ (16,671)	\$ 934,565	\$ (171,523)
Excess (deficiency) of revenue over expenses for the year	115,128	(28,495)	86,633	1,106,088
Balance, June 30, 2014	\$ 1,066,364	\$ (45,166)	\$ 1,021,198	\$ 934,565

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	2014	2013
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 86,633	\$ 1,106,088
Item not involving cash		
Amortization	<u>51,985</u>	46,002
	138,618	1,152,090
Changes in non-cash working capital balances		
Accounts receivable	8,990	7,820
Prepaid expenses	1,062	20,618
Accounts payable and accruals	(9,553)	(406,428)
Income taxes payable	-	(2,333)
Reserve for unpaid claims	25,000	-
Deferred membership dues	<u>35,274</u>	(12,510)
	199,391	759,257
Investing activities		
Purchase of property and equipment	-	(14,130)
Purchase of investments	<u>(134,357)</u>	(176,485)
	(134,357)	(190,615)
Financing activities		
Proceeds of mortgage payable	-	887,500
Repayment of mortgage	(19,829)	(231,450)
Repayment of obligation under capital lease	(11,627)	-
Repayment of term loan	-	(335,699)
Repayment of promissory note	<u>-</u>	(60,000)
	(31,456)	260,351
Increase in cash during the year	33,578	828,993
Cash, beginning of year	<u>1,295,034</u>	466,041
Cash, end of year	\$ 1,328,612	\$ 1,295,034

College of Veterinarians of British Columbia

Notes to the Financial Statements

June 30, 2014

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 repealed the former Veterinarians Act effective September 15, 2010. Under the Act, the College (formerly the 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(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, 2014.

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 Financial Statements

June 30, 2014

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

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

Advertising revenues are recognized upon publication. Examination, registration and inspection revenues are recognized when earned.

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

Interest revenue is recognized in the year earned.

Reserve for Unpaid and Future Claims

The Captive has established a policy to accumulate a reserve 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 Financial Statements

June 30, 2014

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 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 financial statements of the College have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of 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 (Note 9), the reserve for unpaid and future claims (Note 4) and bad debt 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. Amortization is provided over the period 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 Financial Statements

June 30, 2014

2. Cash and Short-term Investments

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

Short-term investments consist of two credit union term deposits equal to \$900,000 and \$225,000 bearing interest at 1.40% to 3.05% (2013 - 1.30% to 1.40%) per annum, maturing January 30, 2014 and January 3, 2017, respectively, as well as equity shares in two credit unions.

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.

3. Property and Equipment

			June 30, 2014	June 30, 2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 348,234	\$ 433,573	\$ 456,393
Furniture and fixtures	25,017	19,629	5,388	6,735
Computer hardware	101,225	86,905	14,320	17,900
Computer software	79,602	38,813	40,789	50,986
Office equipment	36,361	29,637	6,724	8,405
Equipment under capital lease	61,802	19,299	42,503	54,863
	\$ 1,085,814	\$ 542,517	\$ 543,297	\$ 595,282

Amortization expense of equipment under capital lease in current year is \$12,360 (2013 - \$6,180).

4. Reserve 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 2014 for the year ended April 30, 2014. The net reserve for unpaid and future claims estimated by the actuary was \$41,424 (2013 - \$13,367). The net reserve for unpaid and future claims was estimated at \$40,000 (2013 - \$15,000) by management.

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2014

5. Long-term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Mortgages payable, repayable in monthly installments of \$1,824 including interest at 4.59% per annum until December 2037 ¹	\$ 316,824	\$ 324,119
Mortgages payable, repayable in monthly installments of \$3,133 including interest at 4.59% per annum until December 2037 ¹	544,374	556,908
Less: current portion	<u>(20,357)</u>	<u>(19,445)</u>
	<u>\$ 840,841</u>	<u>\$ 861,582</u>

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, 2014 and 2013, the College has not drawn upon these funds.

¹ The mortgage payable is collateralized by a first charge on the building (Note 3) and assignment of insurance and rentals.

Future minimum principal payments required are:

2015	\$	20,357
2016		21,311
2017		22,310
2018		23,356
2019		24,451
Thereafter		<u>749,413</u>
	<u>\$</u>	<u>861,198</u>

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2014

6. Obligation Under Capital Lease

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Obligation under capital lease - due September 2017, repayable in monthly installments of \$1,212 including principal and interest at 7.5%	\$ 41,833	\$ 53,460
Less: current portion	<u>(11,807)</u>	<u>(11,371)</u>
	<u>\$ 30,026</u>	<u>\$ 42,089</u>

The future minimum lease payments are as follows:

2015	\$	14,544
2016		14,544
2017		14,544
2018		<u>3,636</u>
		47,268
Less: imputed interest		<u>(5,435)</u>
	\$	<u>41,833</u>

7. Net Assets

The College segregates its net assets into various funds.

The Captive Insurance Fund holds the interest in the British Columbia Veterinary Captive Insurance Company Ltd. (the "Captive"). During the fiscal year ended June 30, 2014, the Captive issued 1,000 (2013 - 7,265.95) common shares to the College at a price of \$100 per share, resulting in a total of 10,265.95 (2013 - 9,265.95) common shares held by the College as at June 30, 2014 for a total value of \$1,026,595 (2013 - \$926,595). 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 (2013 - \$50,000) for the insurance coverage.

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2014

8. Employee Future Benefits

During the year ended, the College contributed \$19,363 (2013 - \$13,170) 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, 2014, the College accrued \$27,381 (2013 - \$15,292) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

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. 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 review 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 and short-term investments are fixed as disclosed in Note 2.

College of Veterinarians of British Columbia
Notes to the Financial Statements

June 30, 2014

10. Financial Instruments Risks

(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.

11. Comparative Figures

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