

**College of Veterinarians of
British Columbia
Consolidated Financial Statements
For the year ended June 30, 2015**

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British Columbia**
Consolidated Financial Statements
For the year ended June 30, 2015

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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, 2015 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, 2015 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
September 12, 2015

College of Veterinarians of British Columbia
Consolidated Statement of Financial Position


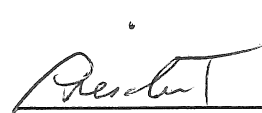
	General Fund	Captive Insurance Fund	Elimination	June 30, 2015	June 30, 2014
Assets					
Current					
Cash (Note 2)	\$ 69,484	\$ 28,387	\$ -	\$ 97,871	\$ 1,328,612
Short-term investments (Note 2)	1,230,137	1,213,433	-	2,443,570	1,129,832
Accounts receivable	34,178	-	-	34,178	26,268
Prepaid expenses	14,410	-	-	14,410	12,836
	1,348,209	1,241,820	-	2,590,029	2,497,548
Property and equipment (Note 3)	495,917	-	-	495,917	543,297
Investment in Captive Insurance Fund	1,176,395	-	(1,176,395)	-	-
	\$3,020,521	\$1,241,820	\$(1,176,395)	\$3,085,946	\$ 3,040,845

Liabilities and Net Assets

Liabilities

Current					
Accounts payable and accrued liabilities	\$ 164,550	\$ 44,283	\$ -	\$ 208,833	\$ 148,274
Provision for unpaid and future claims (Note 4)	-	40,000	-	40,000	40,000
Deferred membership dues	932,715	-	-	932,715	928,342
Current portion of long-term debt (Note 5)	21,311	-	-	21,311	20,357
Current portion of obligation under capital lease (Note 6)	12,724	-	-	12,724	11,807
	1,131,300	84,283	-	1,215,583	1,148,780
Long-term debt (Note 5)	819,137	-	-	819,137	840,841
Obligation under capital lease (Note 6)	17,302	-	-	17,302	30,026
	1,967,739	84,283	-	2,052,022	2,019,647
Net assets (Note 7)					
Unrestricted	1,052,782	-	-	1,052,782	1,066,364
Equity in Captive Insurance Fund	-	1,157,537	(1,176,395)	(18,858)	(45,166)
	1,052,782	1,157,537	(1,176,395)	1,033,924	1,021,198
	\$3,020,521	\$1,241,820	\$(1,176,395)	\$3,085,946	\$ 3,040,845

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	2015	2014
Revenue					
Member dues	\$ 1,879,641	\$ -	\$ -	\$ 1,879,641	\$ 1,799,592
Premiums (Note 7)	-	50,000	(50,000)	-	-
Website advertising	3,183	-	-	3,183	4,079
Examinations	37,850	-	-	37,850	36,168
Registration	57,100	-	-	57,100	53,400
Inspections	111,350	-	-	111,350	139,400
Interest	16,927	17,351	-	34,278	28,576
Other	210,464	-	-	210,464	147,390
	2,316,515	67,351	(50,000)	2,333,866	2,208,605
Expenses					
Amortization	47,380	-	-	47,380	51,985
Bad debt	137,005	-	-	137,005	68,560
Donations and grants	2,470	-	-	2,470	4,575
Human solutions	7,453	-	-	7,453	5,351
Insurance	53,405	-	(50,000)	3,405	3,199
Interest on capital lease	2,737	-	-	2,737	3,588
Interest on long-term debt	38,730	-	-	38,730	39,650
Legal	662,527	-	-	662,527	517,553
Management Fees	-	14,760	-	14,760	28,740
Meetings	158,137	-	-	158,137	180,122
Office	206,821	2,951	-	209,772	190,080
Premium taxes	-	2,000	-	2,000	2,667
Professional services	319,114	21,332	-	340,446	330,977
Property taxes	17,933	-	-	17,933	17,413
Provision for unpaid and future claims	-	-	-	-	25,000
Salaries and benefits	652,560	-	-	652,560	631,844
Staff development	7,030	-	-	7,030	2,994
Telephone and utilities	16,795	-	-	16,795	17,674
	2,330,097	41,043	(50,000)	2,321,140	2,121,972
Excess (deficiency) of revenues over expenses for the year	\$ (13,582)	\$ 26,308	\$ -	\$ 12,726	\$ 86,633

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

	June 30, 2015	June 30, 2014
Assets		
Current		
Cash	\$ 69,484	\$ 108,979
Short-term investments	1,230,137	1,129,832
Amounts receivable	34,178	26,268
Prepaid expenses	14,410	12,836
	<u>1,348,209</u>	<u>1,277,915</u>
Property and equipment	495,917	543,297
Investment in Captive Insurance Fund	1,176,395	1,176,395
	<u>\$ 3,020,521</u>	<u>\$ 2,997,607</u>
Liabilities and Net Assets		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 164,550	\$ 99,870
Deferred membership dues	932,715	928,342
Current portion of long-term debt	21,311	20,357
Current portion of obligation under capital lease	12,724	11,807
	<u>1,131,300</u>	<u>1,060,376</u>
Long-term debt	819,137	840,841
Obligation under capital lease	17,302	30,026
	<u>1,967,739</u>	<u>1,931,243</u>
Unrestricted Net Assets	1,052,782	1,066,364
	<u>\$ 3,020,521</u>	<u>\$ 2,997,607</u>

College of Veterinarians of British Columbia
General Fund Statement of Operations

For the year ended June 30	Budget	2015	2014
Revenue			
Member dues	\$1,812,902	\$ 1,879,641	\$ 1,799,592
Website advertising	-	3,183	4,079
Examinations	35,000	37,850	36,168
Registration	48,000	57,100	53,400
Inspections	102,000	111,350	139,400
Interest	-	16,927	19,295
Other	28,000	210,464	147,390
	<u>2,025,902</u>	<u>2,316,515</u>	<u>2,199,324</u>
Expenses			
Amortization	-	47,380	51,985
Bad debts	-	137,005	68,560
Donations and grants	4,200	2,470	4,575
Human solutions	6,000	7,453	5,351
Insurance	65,000	53,405	53,199
Interest on capital lease	14,544	2,737	3,588
Interest on long-term debt	59,478	38,730	39,650
Legal	535,000	662,527	517,553
Meetings	212,000	158,137	180,122
Office	165,200	206,821	181,264
Professional services	259,000	319,114	308,424
Property taxes	18,200	17,933	17,413
Public relations	10,000	-	-
Salaries and benefits	650,995	652,560	631,844
Staff development	10,000	7,030	2,994
Telephone and utilities	16,000	16,795	17,674
	<u>2,025,617</u>	<u>2,330,097</u>	<u>2,084,196</u>
Excess (deficiency) of revenues over expenses for the year	\$ 285	\$ (13,582)	\$ 115,128

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

	General Fund	Captive Insurance Fund	2015	2014
Balance, June 30, 2014	\$ 1,066,364	\$ (45,166)	\$ 1,021,198	\$ 934,565
Excess (deficiency) of revenue over expenses for the year	(13,582)	26,308	12,726	86,633
Balance, June 30, 2015	\$ 1,052,782	\$ (18,858)	\$ 1,033,924	\$ 1,021,198

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	2015	2014
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 12,726	\$ 86,633
Item not involving cash		
Amortization	47,380	51,985
	60,106	138,618
Changes in non-cash working capital balances		
Accounts receivable	(7,910)	8,990
Prepaid expenses	(1,574)	1,062
Accounts payable and accruals	60,559	(9,553)
Provision for unpaid and future claims	-	25,000
Deferred membership dues	4,373	35,274
	115,554	199,391
Investing activities		
Purchase of investments	(1,313,738)	(134,357)
Financing activities		
Repayment of mortgage	(20,750)	(19,829)
Repayment of obligation under capital lease	(11,807)	(11,627)
	(32,557)	(31,456)
Increase (decrease) in cash during the year	(1,230,741)	33,578
Cash, beginning of year	1,328,612	1,295,034
Cash, end of year	\$ 97,871	\$ 1,328,612

College of Veterinarians of British Columbia

Notes to the Consolidated Financial Statements

June 30, 2015

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, 2015.

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, 2015

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 collectability 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.

Provision for Unpaid and Future Claims The Captive has established a policy to accumulate 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, 2015

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

Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. Term deposits have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.
Donated Services	The College and its members benefit greatly from donated services in the form of volunteer time for various committees. The value of donated services is not recognized in these consolidated financial statements.
Discipline Matters	The College records legal fees related to disciplinary actions as they are incurred. Recoveries of fines and costs are recognized as revenue when all matters relating to their realization have been resolved and the amounts are deemed to be collectible.
Use of Estimates	The consolidated financial statements of the College 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 (Note 9), the provision for 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 Consolidated Financial Statements

June 30, 2015

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 three credit union term deposits equal to \$80,000, \$225,000, and \$920,000 bearing interest at 1.05% to 3.05% (2013 - 1.40% to 3.05%) per annum, maturing January 27, 2016, January 27, 2016, and January 30, 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

	2015		2014	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 369,912	\$ 411,895	\$ 433,573
Furniture and fixtures	25,017	20,706	4,311	5,388
Computer hardware	101,225	89,769	11,456	14,320
Computer software	79,602	46,970	32,632	40,789
Office equipment	36,361	30,981	5,380	6,724
Equipment under capital lease	61,802	31,559	30,243	42,503
	<u>\$ 1,085,814</u>	<u>\$ 589,897</u>	<u>\$ 495,917</u>	<u>\$ 543,297</u>

Amortization expense of equipment under capital lease in current year is \$12,260 (2014 - \$12,360).

4. 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 2015 for the year ended April 30, 2015. The net provision for unpaid and future claims estimated by the actuary was \$42,390 (2014 - \$41,424). The net provision for unpaid and future claims was recorded as \$40,000 (2014 - \$40,000) by management.

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

June 30, 2015

5. Long-term Debt

	<u>2015</u>	<u>2014</u>
Mortgages payable, repayable in monthly installments of \$1,824 including interest at 4.59% per annum until December 2037 ¹	\$ 309,190	\$ 316,824
Mortgages payable, repayable in monthly installments of \$3,133 including interest at 4.59% per annum until December 2037 ¹	531,258	544,374
Less: current portion	<u>(21,311)</u>	<u>(20,357)</u>
	<u>\$ 819,137</u>	<u>\$ 840,841</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, 2015 and 2014, 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:

2016	21,311
2017	22,310
2018	23,356
2019	24,451
2020	25,597
Thereafter	<u>723,423</u>
	<u>\$ 840,448</u>

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

June 30, 2015

6. Obligation Under Capital Lease

	2015	2014
Obligation under capital lease - due September 2017, repayable in monthly installments of \$1,212 including principal and interest at 7.5%	\$ 30,026	\$ 41,833
Less: current portion	(12,724)	(11,807)
	<u>\$ 17,302</u>	<u>\$ 30,026</u>

The future minimum lease payments are as follows:

2016	14,544
2017	14,544
2018	3,636
	<u>32,724</u>
Less: imputed interest	(2,698)
	<u>\$ 30,026</u>

7. Net Assets

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

The Captive Insurance Fund holds the interest in the Captive. During the fiscal year ended June 30, 2014, the Captive issued 1,000 common shares to the College at a price of \$100 per share. No additional common shares were issued during the fiscal year ended June 30, 2015. A total of 10,265.95 common shares were held by the College as at June 30, 2015 for a total value of \$1,026,595.

The Captive has issued a professional liability and commercial general liability insurance policy covering the College and Captive directors and officers. During the year, the Captive charged the College \$50,000 (2014 - \$50,000) for the insurance coverage.

8. Employee Future Benefits

During the year ended, the College contributed \$21,207 (2014 - \$19,363) 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, 2015, the College accrued \$23,975 (2014 - \$27,381) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

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

June 30, 2015

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 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 as disclosed in Note 2 and 6.

(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.