

**British Columbia Veterinary
Medical Association
Combined Financial Statements
For the year ended June 30, 2008**

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For the year ended June 30, 2008**

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Auditor's Report

**To the Members of the
British Columbia Veterinary Medical Association**

We have audited the Combined Statement of Financial Position of the British Columbia Veterinary Medical Association as at June 30, 2008 and the Combined Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Veterinary Medical Association as at June 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
July 14, 2008

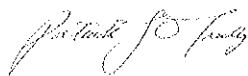
British Columbia Veterinary Medical Association
Statement of Financial Position

June 30	General Fund	Captive Insurance Fund	2008	2007
Assets				
Current				
Cash (Note 2)	\$ 753,203	\$ 502,082	\$ 1,255,285	\$ 150,909
Short-term investments (Note 2)	203,811	-	203,811	3,720
Accounts receivable	72,641	-	72,641	35,756
Special levies receivable	41,353	-	41,353	407,507
Prepaid expenses	29,055	-	29,055	26,921
	<u>1,100,063</u>	<u>502,082</u>	<u>1,602,145</u>	<u>624,813</u>
Property and equipment (Note 3)	639,209	-	639,209	674,264
	<u>\$1,739,272</u>	<u>\$ 502,082</u>	<u>\$ 2,241,354</u>	<u>\$ 1,299,077</u>
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 218,917	\$ -	\$ 218,917	\$ 113,077
Deferred membership dues	539,760	-	539,760	464,620
Current portion of long-term debt (Note 4)	565,217	-	565,217	6,129
	<u>1,323,894</u>	<u>-</u>	<u>1,323,894</u>	<u>583,826</u>
Long-term debt (Note 4)	429,997	-	429,997	256,730
	<u>1,753,891</u>	<u>-</u>	<u>1,753,891</u>	<u>840,556</u>
Net assets (Note 6)				
Unrestricted	(397,729)	-	(397,729)	47,116
Invested in property and equipment	383,110	-	383,110	411,405
Equity in Captive	-	502,082	502,082	-
	<u>(14,619)</u>	<u>502,082</u>	<u>487,463</u>	<u>458,521</u>
	<u>\$1,739,272</u>	<u>\$ 502,082</u>	<u>\$ 2,241,354</u>	<u>\$ 1,299,077</u>

Approved on behalf of the Council:



President



Secretary/Treasurer

British Columbia Veterinary Medical Association
Statement of Operations

For the year ended June 30	Budget	General Fund	Captive Insurance Fund	2008	2007
	(Note 8)				
Revenue					
Member dues	\$ 1,155,137	\$ 1,477,164	\$ -	\$ 1,477,164	\$ 1,334,295
Special levies	348,793	445,403	-	445,403	794,587
Conference	64,000	88,595	-	88,595	358,637
Magazine/Website advertising	140,500	138,348	-	138,348	141,035
Examinations	30,000	45,700	-	45,700	33,550
Registration	28,600	44,218	-	44,218	34,556
Inspections	40,000	122,970	-	122,970	42,000
Interest	22,000	25,369	2,320	27,689	20,448
Merchandise sales (net)	2,500	6,568	-	6,568	629
Other	2,000	82,871	-	82,871	27,930
Legal cost recoveries	-	50,196	-	50,196	-
	1,833,530	2,527,402	2,320	2,529,722	2,787,667
Less: Dues collected on behalf of Canadian Veterinary Medical Association	(256,760)	(269,500)	-	(269,500)	(248,395)
	1,576,770	2,257,902	2,320	2,260,222	2,539,272
Expenses					
Amortization	-	42,463	-	42,463	44,483
Bad debts (recovery)	6,000	59	-	59	(47,499)
Conference	65,300	83,389	-	83,389	350,323
Donations and grants	10,000	4,167	-	4,167	8,628
Economic Survey	-	2,014	-	2,014	2,726
Insurance	130,000	125,532	-	125,532	103,276
Interest on long-term debt	14,400	31,689	-	31,689	17,683
Legal - case	600,000	551,712	-	551,712	584,411
- general	60,000	98,013	41,718	139,731	61,825
- investigations	-	613	-	613	418
Magazine	60,000	53,545	-	53,545	84,670
Meetings	235,500	175,649	-	175,649	205,326
Office	131,400	136,659	4,658	141,317	132,953
Professional services	168,000	232,801	-	232,801	139,350
Property taxes	14,000	14,035	-	14,035	14,130
Public relations	30,000	9,822	-	9,822	26,165
Salaries and benefits	533,000	543,210	-	543,210	506,826
Staff development	8,000	4,761	-	4,761	4,815
Telephone and utilities	23,200	19,001	-	19,001	22,300
Wilson Banwell program	2,000	2,770	-	2,770	1,250
	2,090,800	2,131,904	46,376	2,178,280	2,264,059
Excess (deficiency) of revenues over expenses before other items	(514,030)	125,998	(44,056)	81,942	275,213
Other items					
Captive insurance grant	-	(589,138)	589,138	-	-
Captive start-up expenses	-	(10,000)	(43,000)	(53,000)	-
Excess (deficiency) of revenues over expenses for the year	\$ (514,030)	\$ (473,140)	\$ 502,082	\$ 28,942	\$ 275,213

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	2008	2007
Balance, beginning of year	\$ 47,116	\$ 411,405	\$ -	\$ 458,521	\$ 183,308
Excess (deficiency) of revenue over expenses for the year	205,119	(42,463)	(133,714)	28,942	275,213
Interfund transfers	(649,964)	14,168	635,796	-	-
Balance, end of year	\$ (397,729)	\$ 383,110	\$ 502,082	\$ 487,463	\$ 458,521

British Columbia Veterinary Medical Association
Statement of Cash Flows

For the year ended June 30	2008	2007
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 28,942	\$ 275,213
Item not involving cash		
Amortization	<u>42,463</u>	<u>44,483</u>
	71,405	319,696
Changes in non-cash working capital balances		
Accounts receivable	(36,885)	(15,067)
Special levies receivable	366,154	(407,507)
Prepaid expenses	(2,134)	41,361
Accounts payable and accruals	105,840	(61,391)
Grants payable	-	(25,000)
Deferred conference revenues	-	(85,931)
Deferred membership dues	<u>75,140</u>	<u>15,309</u>
	579,520	(218,530)
Investing activities		
Purchase of property and equipment	(7,408)	(12,340)
Decrease (increase) in investments	<u>(200,091)</u>	<u>277,385</u>
	(207,499)	265,045
Financing activities		
Repayment of mortgage	(6,326)	(5,979)
Issuance of term loan	400,000	-
Issuance of promissory note	240,000	-
Withdrawals on line of credit	<u>98,681</u>	<u>-</u>
	732,355	(5,979)
Increase in cash during the year	1,104,376	40,536
Cash, beginning of year	<u>150,909</u>	<u>110,373</u>
Cash, end of year	\$ 1,255,285	\$ 150,909

British Columbia Veterinary Medical Association
Summary of Significant Accounting Policies

June 30, 2008

Purpose of Association

The Association is a self-governing professional regulatory body. 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. It promotes a high standard of practice through member programs such as continuing education and professional development.

The "Veterinarians Act" of the Province of British Columbia and the Association By-laws and Code of Ethics are the means by which the members of the Association are licensed and regulated.

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

These financial statements combine the Association'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

In the year of acquisition, the charge is reduced to 1/2 the annual rate.

Revenue

The Association follows the deferral method of accounting for membership dues. Membership dues are deferred and recognized over the membership year of December 1 to November 30, which differs from the Association's fiscal year of July 1 to June 30.

Special levies are recognized as revenue when approved by Council.

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.

Donated Services

The Association 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 Association 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.

British Columbia Veterinary Medical Association
Summary of Significant Accounting Policies

June 30, 2008

Grants Payable Grants payable are accrued when approved by Council provided that the recipient has met any eligibility requirements and that the amount can be reasonably estimated.

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

Held-for-trading

The Association 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. In the prior year term deposits were carried at cost.

Loans and receivables

The Association 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 Association 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, other than the promissory note payable, are not considered to be significantly different from the carrying value as the terms and conditions of the debt are not significantly different from what would be expected in the current market. The fair value of the interest-free promissory note payable is \$199,700 based on an equivalent market rate of 6.9%

British Columbia Veterinary Medical Association Summary of Significant Accounting Policies

June 30, 2008

Use of Estimates

The financial statements of the Association 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.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective and have a potential implication for the Association, are as follows:

General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

These changes are effective for the Association's fiscal year beginning July 1, 2008. The Association is currently assessing the impact of the new standard.

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments. This standard will be effective for the Association's fiscal year beginning July 1, 2008. Adoption of these new standards will result in the Association revising and enhancing its disclosure requirements and carrying its presentation requirements forward unchanged. These include both qualitative and quantitative disclosures about the nature and extent of risk arising from financial instruments and how the Association manages those risks.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Association's fiscal year beginning July 1, 2008. The Association is currently assessing the impact of the new standard.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2008

1. Continued Operations and Subsequent Event

The Association incurred a significant deficit in the 2006 fiscal year and required special levies from members in order to avoid incurring a significant deficit in the 2007 and 2008 fiscal years. Expenses have been much higher than forecast due to legal expenses for the complaints and discipline hearings under the Veterinarians Act. There continue to be unresolved legal contingencies (Note 9).

Continued operations of the Association are dependent upon further support from members and/or the Province of British Columbia.

2. Cash and Short-term Investments

The Association's bank accounts are held at a credit union and bear interest at market rates.

Short-term investments in the current year consists of a credit union term deposit bearing interest at 3.5% per annum and equity shares in a credit union and a bank.

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

Currency Risk

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

Credit and Market Risk

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

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2008

3. Property and Equipment

	<u>2008</u>		<u>2007</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 191,983	\$ 589,824	\$ 620,867
Furniture and fixtures	22,113	6,606	15,507	11,050
Computer hardware	71,719	62,246	9,473	11,841
Computer software	19,881	13,461	6,420	8,025
Office equipment	29,988	12,003	17,985	22,481
	<u>\$ 925,508</u>	<u>\$ 286,299</u>	<u>\$ 639,209</u>	<u>\$ 674,264</u>

4. Long-term Debt

	<u>2008</u>		<u>2007</u>	
Mortgage payable to finance a portion of the building purchase, repayable in monthly installments of \$1,910 including interest at 6.45% per annum until February 2011	\$	256,533	\$	262,859
Business operating line of credit, limit of \$250,000, due on demand bearing an interest rate of prime plus 0.5%		98,681		-
Term loan, repayable in full December 10, 2008, interest accrued and payable the last day of each month, bearing an interest rate of prime plus 0.5%		400,000		-
Promissory note payable to the Canadian Veterinary Medical Association, interest-free, repayable in annual installments of \$60,000 commencing April 1, 2009 until repaid April 1, 2012		240,000		-
		<u>995,214</u>		262,859
Less current portion		<u>(565,217)</u>		<u>(6,129)</u>
	<u>\$</u>	<u>429,997</u>	<u>\$</u>	<u>256,730</u>

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 Association, an 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.

Future minimum principal payments required are:

2009	\$	565,217
2010		66,970
2011		303,027
2012		60,000
	<u>\$</u>	<u>995,214</u>

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2008

5. Commitments

The Association leases equipment under an operating lease arrangement. The minimum lease payments until lease expiry are as follows:

2009	\$	14,400
2010		14,400
2011		14,400
2012		<u>6,000</u>
	\$	<u>49,200</u>

6. Net Assets

The Association segregates its net assets into various funds.

The amount invested in property and equipment represents the Association'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 Corporation ("Captive"). Captive plans to issue a professional liability and commercial general liability insurance policy covering the Association as well as Captive and their directors and officers. Captive is still in its start-up phase. The Association provides management and administrative services to the Captive at no cost.

Unrestricted net assets represents the net assets available for general use.

7. Employee Future Benefits

The Association has an RRSP contribution plan. All individuals who have been employed by the Association for a term longer than 6 months are entitled to a contribution by the Association to their RRSP in the amount of 4% of their annual earnings. The Association contributed \$17,959 (2007 - \$16,279) to employees' RRSPs during the year.

Depending on their position, an employee is entitled to 2 to 4 weeks of annual paid vacation leave. These paid vacation days are accrued monthly as soon as commencement of employment and are available for use in the following fiscal year. However, employees are permitted to borrow vacation days to use in the current fiscal year. Unused vacation days are not permitted to be carried forward. The Association has accrued \$20,208 (2007 - \$14,802) for unused vacation and these amounts are included in accounts payable and accrued liabilities.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2008

8. Budget Figures

The 2008 budget figures have been prepared by management and have not been audited or reviewed by the Association's auditor.

9. Contingent Liabilities

The Association is presently involved with a number of claims or potential claims brought on by a small group of litigants, the outcomes of which are not determinable at this time. No legal costs have been incurred or are anticipated for these claims and no amounts have been accrued in respect of possible future costs resulting from these claims.

Amounts ultimately payable, if any, will be recorded in the period in which a determination can be made as to the status of the claim.

10. Change in Accounting Policies

Financial Instruments

Effective July 1, 2007, the Association adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments - Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosures and Presentation and CICA 3865 Hedges discuss the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

Amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. The Association does not have any transactions which qualify for hedge accounting.

Transactions entered in to prior to the adoption of these recommendations have not been retroactively designated. In accordance with the transitional provisions, the prior year comparative figures have not been restated.

Pursuant to the requirements of these financial instruments standards, the Association now classifies and recognizes its financial assets and liabilities as described in the Summary of Significant Accounting Policies. Upon adoption, the Association remeasured its held-for-trading financial assets at their fair value, and loans and receivables and other liabilities at their amortized cost. However, these changes had no significant impact to the carrying values.