

**British Columbia Veterinary
Medical Association
Combined Financial Statements
For the year ended June 30, 2009**

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Auditors' 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, 2009 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, 2009 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 21, 2009

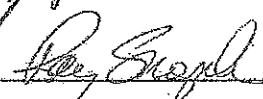
British Columbia Veterinary Medical Association
Statement of Financial Position

June 30	General Fund	Captive Insurance Fund	2009	2008
Assets				
Current				
Cash (Note 2)	\$ 525,454	\$ 307,445	\$ 832,899	\$ 1,255,285
Short-term investments (Note 2)	210,811	-	210,811	203,811
Accounts receivable	39,002	-	39,002	72,641
Special levies receivable	310,080	-	310,080	41,353
Prepaid expenses	26,943	-	26,943	29,055
	<u>1,112,290</u>	<u>307,445</u>	<u>1,419,735</u>	<u>1,602,145</u>
Property and equipment (Note 3)	670,715	-	670,715	639,209
	<u>\$1,783,005</u>	<u>\$ 307,445</u>	<u>\$2,090,450</u>	<u>\$2,241,354</u>
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued liabilities	\$ 184,417	\$ 18,500	\$ 202,917	\$ 218,917
Taxes payable	-	4,425	4,425	-
Reserve for unpaid claims	-	6,000	6,000	-
Deferred membership dues	606,823	-	606,823	539,760
Current portion of long-term debt (Note 4)	465,345	-	465,345	565,217
Current portion of obligation under capital lease (Note 5)	7,325	-	7,325	-
	<u>1,263,910</u>	<u>28,925</u>	<u>1,292,835</u>	<u>1,323,894</u>
Obligation under capital lease (Note 5)	44,639	-	44,639	-
Long-term debt (Note 4)	362,776	-	362,776	429,997
	<u>1,671,325</u>	<u>28,925</u>	<u>1,700,250</u>	<u>1,753,891</u>
Net assets (Note 6)				
Unrestricted	(257,324)	-	(257,324)	(397,729)
Invested in property and equipment	369,004	-	369,004	383,110
Equity in Captive	-	278,520	278,520	502,082
	<u>111,680</u>	<u>278,520</u>	<u>390,200</u>	<u>487,463</u>
	<u>\$1,783,005</u>	<u>\$ 307,445</u>	<u>\$ 2,090,450</u>	<u>\$ 2,241,354</u>

Approved on behalf of the Council:



President



Secretary/Treasurer

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

British Columbia Veterinary Medical Association
Statement of Operations

For the year ended June 30	Budget	General Fund	Captive Insurance Fund	2009	2008
	(Note 8)				
Revenue					
Member dues	\$ 1,247,170	\$ 1,668,185	\$ -	\$ 1,668,185	\$ 1,477,164
Special levies	-	358,126	-	358,126	445,403
Conference	64,000	74,836	-	74,836	88,595
Magazine/Website advertising	140,500	128,462	-	128,462	138,348
Examinations	30,000	42,050	-	42,050	45,700
Registration	28,600	39,896	-	39,896	44,218
Inspections	40,000	82,500	-	82,500	122,970
Interest	22,000	18,546	5,174	23,720	27,689
Merchandise sales (net)	2,500	3,888	-	3,888	6,568
Other	2,000	115,677	-	115,677	82,871
Insurance rebates	(20,000)	11,426	-	11,426	-
Legal cost recoveries	-	-	-	-	50,196
	1,556,770	2,543,592	5,174	2,548,766	2,529,722
Less: Dues collected on behalf of Canadian Veterinary Medical Association	-	(297,000)	-	(297,000)	(269,500)
	1,556,770	2,246,592	5,174	2,251,766	2,260,222
Expenses					
Amortization	-	45,186	-	45,186	42,463
Bad debts	6,000	4,476	-	4,476	59
Conference	65,300	82,519	-	82,519	83,389
Donations and grants	10,000	9,877	-	9,877	4,167
Economic Survey	-	2,607	-	2,607	2,014
Insurance	180,000	72,855	-	72,855	125,532
Interest on long-term debt	14,400	36,167	-	36,167	31,689
Interest on capital lease	-	3,637	-	3,637	-
Legal - case	600,000	660,759	-	660,759	551,712
- general	60,000	100,990	-	100,990	139,731
- investigations	-	250	-	250	613
Magazine	60,000	47,081	-	47,081	53,545
Meetings	235,500	226,459	-	226,459	175,649
Office	131,400	130,738	-	130,738	141,317
Professional services	168,000	233,606	18,755	252,361	232,801
Property taxes	14,000	14,347	-	14,347	14,035
Public relations	30,000	43,154	-	43,154	9,822
Premium and income taxes	-	-	3,981	3,981	-
Reserve for future and unpaid claims	-	-	6,000	6,000	-
Salaries and benefits	533,000	579,883	-	579,883	543,210
Staff development	8,000	2,726	-	2,726	4,761
Telephone and utilities	23,200	19,290	-	19,290	19,001
Wilson Banwell program	2,000	3,686	-	3,686	2,770
	2,140,800	2,320,293	28,736	2,349,029	2,178,280
Excess (deficiency) of revenues over expenses before other items	(584,030)	(73,701)	(23,562)	(97,263)	81,942

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

**British Columbia Veterinary Medical Association
Statement of Operations (Continued)**

For the year ended June 30	Budget	General Fund	Captive Insurance Fund	2009	2008
	(Note 8)				
Brought forward					
Excess (deficiency) of revenues over expenses before other items	(584,030)	(73,701)	(23,562)	(97,263)	81,942
Other items					
Captive insurance grant	-	200,000	(200,000)	-	-
Captive start-up expenses	-	-	-	-	(53,000)
Excess (deficiency) of revenues over expenses for the year	\$ (584,030)	\$ 126,299	\$ (223,562)	\$ (97,263)	\$ 28,942

British Columbia Veterinary Medical Association
Statement of Changes in Net Assets

<u>For the year ended June 30</u>	Unrestricted	Invested in Property and Equipment	Equity in Captive	2009	2008
Balance, beginning of year	\$ (397,729)	\$ 383,110	\$ 502,082	\$ 487,463	\$ 458,521
Excess (deficiency) of revenue over expenses for the year	(28,515)	(45,186)	(23,562)	(97,263)	28,942
Interfund transfers	168,920	31,080	(200,000)	-	-
Balance, end of year	\$ (257,324)	\$ 369,004	\$ 278,520	\$ 390,200	\$ 487,463

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

British Columbia Veterinary Medical Association
Statement of Cash Flows

For the year ended June 30	2009	2008
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (97,263)	\$ 28,942
Item not involving cash		
Amortization	<u>45,186</u>	<u>42,463</u>
	(52,077)	71,405
Changes in non-cash working capital balances		
Accounts receivable	33,639	(36,885)
Special levies receivable	(268,727)	366,154
Prepaid expenses	2,112	(2,134)
Accounts payable and accruals	(16,000)	105,840
Taxes payable	4,425	-
Reserve for unpaid claims	6,000	-
Deferred membership dues	<u>67,063</u>	<u>75,140</u>
	<u>(223,565)</u>	<u>579,520</u>
Investing activities		
Purchase of property and equipment	(76,692)	(7,408)
Increase in investments	<u>(7,000)</u>	<u>(200,091)</u>
	<u>(83,692)</u>	<u>(207,499)</u>
Financing activities		
Repayment of mortgage	(6,786)	(6,326)
Assumption of obligation under capital lease	51,964	-
Issuance (payment) of term loan	(1,626)	400,000
Issuance (payment) of promissory note	(60,000)	240,000
Withdrawals (payments) on line of credit	<u>(98,681)</u>	<u>98,681</u>
	<u>(115,129)</u>	<u>732,355</u>
Increase (decrease) in cash during the year	(422,386)	1,104,376
Cash, beginning of year	<u>1,255,285</u>	<u>150,909</u>
Cash, end of year	<u>\$ 832,899</u>	<u>\$ 1,255,285</u>

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

British Columbia Veterinary Medical Association Summary of Significant Accounting Policies

June 30, 2009

Purpose of Association

The British Columbia Veterinary Medical 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, 2009

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.

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 are disclosed in Note 4.

British Columbia Veterinary Medical Association Summary of Significant Accounting Policies

June 30, 2009

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.

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

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

Financial statement presentation

CICA HB Section 4400 - Financial statement presentation by not-for-profit organizations, has been amended to eliminate the requirement to treat net assets invested in capital asset as a separate component of net assets, clarification that revenue and expenses be recorded at gross basis if not-for-profit organization is acting as a principal in the transaction, and making cash flow and interim financial statements applicable for not-for-profit organizations. The amendments will apply to Association's fiscal year beginning July 1, 2009. The Association is currently evaluating the effect of these new standards on its financial statements.

Related Party Transactions

CICA HB Section 4460 - Disclosure of related party transactions by not-for-profit organizations, has been amended to make the language consistent with HB Section CICA 3840 - Related Party Transactions. The amendments will apply to Association's fiscal year beginning July 1, 2009. The Association does not believe the new standards will have a material effect on its financial statements.

Allocating Expenses

CICA HB Section 4470 - Disclosure of allocated expenses by not-for-profit organizations, is a new section that establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The requirement to apply these new standards will apply to the Association's fiscal year beginning July 1, 2009. The Association is currently evaluating the effect of these new standards on its financial statements.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2009

1. Continued Operations

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, 2008 and 2009 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).

It is anticipated that the current pressure of hearing costs will diminish as the few extant matters reach conclusion and the Association collects on cost awards, at which time expenses will return to a more historical norm. In the interim, continued operations of the Association are dependent on appropriate member fee levels and any necessary levies which the Council has authority to impose.

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 at year end consists of a credit union term deposit bearing interest at 1.5% 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 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, 2009

3. Property and Equipment

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 781,807	\$ 221,475	\$ 560,332	\$ 589,824
Furniture and fixtures	22,113	9,707	12,406	15,507
Computer hardware	81,720	60,317	21,403	9,473
Computer software	21,083	14,474	6,609	6,420
Office equipment	35,579	16,159	19,420	17,985
Equipment under capital lease	54,104	3,559	50,545	-
	\$ 996,406	\$ 325,691	\$ 670,715	\$ 639,209

4. Long-term Debt

	2009		2008	
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 (Fair value - 2009: \$263,866 , 2008: \$256,099)	\$	249,747	\$	256,533
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, due on demand and repayable in blended monthly payments of \$3,010 with an interest rate of prime plus 2.09% and maturing on May 10, 2024 (Fair value - 2009: \$392,977, 2008: 400,018)		398,374		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 (Fair value - 2009: \$162,781, 2008: \$199,700)		180,000		240,000
		828,121		995,214
Less current portion		(465,345)		(565,217)
	\$	362,776	\$	429,997

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.

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2009

4. Long-term Debt (Continued)

The Association 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 Association to maintain a debt service coverage ratio of 1.1:1 as at June 30, 2009. As at June 30, 2009, the Association 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 BCVMA not being in compliance with the covenants, however, the debt has been reclassified as current for conservative purposes.

Future minimum principal payments required are:

2010	\$	465,345
2011		67,433
2012		67,927
2013		8,454
2014		9,016
Thereafter		<u>209,946</u>
	\$	<u>828,121</u>

5. Obligation Under Capital Lease

	2009	2008
Obligation under capital lease - due January 3, 2014, repayable in monthly instalments of \$1,414 including principal and interest	\$ 50,689	\$ -
Obligation under capital lease - due September 6, 2014, repayable in quarterly instalments of \$180 including principal and interest	<u>1,275</u>	-
	51,964	-
Less current portion	<u>(7,325)</u>	-
	<u>\$ 44,639</u>	<u>\$ -</u>

British Columbia Veterinary Medical Association
Notes to the Financial Statements

June 30, 2009

5. Obligation Under Capital Lease (Continued)

The future minimum lease payments are as follows:

2010	\$	17,688
2011		17,688
2012		17,688
2013		17,688
2014		12,032
Thereafter		<u>318</u>
		83,102
Less imputed interest		<u>(31,138)</u>
		<u>\$ 51,964</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 Company Ltd. (the "Captive"). The Captive has issued a professional liability and commercial general liability insurance policy covering the Association and Captive directors and officers. 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 \$18,359 (2008 - \$17,959) 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 to the next calendar year without permission. The Association has accrued \$25,344 (2008 - \$20,208) 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, 2009

8. Budget Figures

The 2009 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. The Association 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. Capital Disclosures

Effective July 1, 2008, the Association adopted the new guidelines of CICA Handbook Section 1535, Capital Disclosures, which requires entities to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether they have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non compliance.

The Association's objective when managing capital is to safeguard the Association's ability to provide quality programs and services to its members. The Association considers the items in net assets as capital. The Association 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 Association may administer special levies to its members or raise membership fees for its members. The Association is not subject to externally imposed capital requirements other than those noted in Note 4.