

Notary Foundation of British Columbia  
Financial Statements  
For the year ended June 30, 2024

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For the year ended June 30, 2024

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Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
Unit 1100 - Royal Centre  
1055 West Georgia Street  
Vancouver BC V6E 3P3 Canada

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## Independent Auditor's Report

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To the Governors of the  
Notary Foundation of British Columbia

### Qualified Opinion

We have audited the financial statements of Notary Foundation of British Columbia (the "Foundation") which comprise the Statement of Financial Position as at June 30, 2024 and the Statements of Operations and Changes in Net Assets and Cash Flows for the year ended June 30, 2024 and notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Notary Foundation of British Columbia as at June 30, 2024 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

The Foundation derives revenue from interest earned on Notaries' trust accounts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to interest earned on Notaries' trust account, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended June 30, 2024 and 2023, current assets as at June 30, 2024 and 2023, and net assets as at July 1 and June 30 for both the 2024 and 2023 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.



## Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia

October 21, 2024

Notary Foundation of British Columbia  
Statement of Financial Position

June 30	General Fund	Education and Administrative Fund	Grants Fund	2024	2023
<b>Current Assets</b>					
Cash (Note 3)	\$ 18,719,416	\$ -	\$ -	\$ 18,719,416	\$ 11,088,632
Interest and other receivable (Note 4)	1,526,443	-	-	1,526,443	1,465,120
Prepaid expenses	11,239	-	-	11,239	-
Investments (Note 5)	516,557	-	-	516,557	2,544,475
	<u>20,773,655</u>	<u>-</u>	<u>-</u>	<u>20,773,655</u>	<u>15,098,227</u>
Interfund balances	<u>(11,327,114)</u>	<u>8,013,913</u>	<u>3,313,201</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,446,541</u>	<u>\$ 8,013,913</u>	<u>\$ 3,313,201</u>	<u>\$ 20,773,655</u>	<u>\$ 15,098,227</u>
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities (Note 6)	<u>\$ 9,446,541</u>	<u>\$ -</u>	<u>\$ 351,345</u>	<u>\$ 9,797,886</u>	<u>\$ 7,172,955</u>
	9,446,541	-	351,345	9,797,886	7,172,955
Net assets	<u>-</u>	<u>8,013,913</u>	<u>2,961,856</u>	<u>10,975,769</u>	<u>7,925,272</u>
	<u>\$ 9,446,541</u>	<u>\$ 8,013,913</u>	<u>\$ 3,313,201</u>	<u>\$ 20,773,655</u>	<u>\$ 15,098,227</u>

Approved by The Board of Governors:

\_\_\_\_\_ Governor

\_\_\_\_\_ Governor

Notary Foundation of British Columbia  
Statement of Operations and Changes in Net Assets

For the year ended June 30	General Fund	Education and Administrative Fund	Grants Fund	2024	2023
<b>Revenue</b>					
Interest earned on Notaries' trust accounts	\$ 9,470,695	\$ 6,026,805	\$ 1,721,944	\$ 17,219,444	\$ 12,825,236
Investment income (loss)	(24,154)	(15,370)	(4,391)	(43,915)	195,468
	<u>9,446,541</u>	<u>6,011,435</u>	<u>1,717,553</u>	<u>17,175,529</u>	<u>13,020,704</u>
<b>Expenses</b>					
Education and administrative fund grant (Note 4)	-	3,529,747	-	3,529,747	65,582
Grants Distribution	-	-	828,860	828,860	358,385
Governor and committee meetings	-	60,140	-	60,140	32,634
Information technology	-	11,882	-	11,882	13,766
Legal Services Society of British Columbia (Note 6)	9,446,541	-	-	9,446,541	7,161,386
Office and miscellaneous	-	48,844	-	48,844	29,120
Payroll	-	169,267	-	169,267	164,608
Professional fees	-	27,580	-	27,580	27,955
Rent and utilities	-	2,171	-	2,171	2,443
	<u>9,446,541</u>	<u>3,849,631</u>	<u>828,860</u>	<u>14,125,032</u>	<u>7,855,879</u>
Excess of revenue over expenses	-	2,161,804	888,693	3,050,497	5,164,825
Net assets, beginning of the year	-	5,852,109	2,073,163	7,925,272	2,760,447
Net assets, end of year	<u>\$ -</u>	<u>\$ 8,013,913</u>	<u>\$ 2,961,856</u>	<u>\$ 10,975,769</u>	<u>\$ 7,925,272</u>

The accompanying notes form an integral part of these financial statements.

Notary Foundation of British Columbia  
Statement of Cash Flows

For the year ended June 30 2024 2023

Cash provided by (used in)

Operating activities

Excess of revenue over expenses	\$ 3,050,497	\$ 5,164,825
Items not involving cash		
Unrealized loss (gain) on investments	60,981	(132,660)
Realized loss on investments	14,256	1,382
	3,125,734	5,033,547

Changes in non-cash working capital balances

Interest and other receivable	(61,323)	(882,330)
Prepaid expenses	(11,239)	290
Accounts payable and accrued liabilities	2,624,931	5,897,656
	5,678,103	10,049,163

Investing activities

Purchase of investments	(627,945)	(562,464)
Sale of investments	2,580,626	472,034
	1,952,681	(90,430)

Increase in cash during the year

7,630,784 9,958,733

Cash, beginning of year

11,088,632 1,129,899

Cash, end of year

\$18,719,416 \$ 11,088,632

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# Notary Foundation of British Columbia

## Notes to the Financial Statements

June 30, 2024

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### 1. Purpose of the Organization and Future Operations

The Notary Foundation of British Columbia (the "Foundation") was established in 1986 under Section 50 of the Notaries Act. The Foundation is a not-for-profit organization, which receives funding from interest earned on the trust funds of members of the Society of Notaries Public of British Columbia (the "Society"). The Foundation is a tax exempt body under Section 149 of the Income Tax Act.

The Foundation is required to establish and maintain funds to be used for the purpose of:

- legal education, legal research and legal aid,
- salary, administration, education and continuing education for notaries and applicants for enrolment as notaries,
- establishing, operating and maintaining law libraries in the Province of British Columbia

In March 2022 the Province of British Columbia ("the Province") announced an initiative to implement a new regulatory framework for legal service providers in the Province. The *Legal Professions Act* ("the Act") received royal assent in May 2024 and provides for the dissolution of the Notary Foundation ("the Foundation").

The *Legal Professions Act* includes transitional provisions which are currently in force with the transitional planning process expected to require 18 to 24 months to complete. The dissolution of the Foundation is included in these transitional provisions and the transfer date will be determined by the Government and enacted by regulation.

The constitutionality of the *Legal Professions Act* is currently subject to legal challenge and the outcome of this challenge is not anticipated prior to 2025. The Foundation is not currently a party to this legal challenge.

The ultimate impact of this initiative on the Foundation is yet to be determined but will likely include material changes to the Foundation's governance, operations and finances.

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### 2. Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.



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Notary Foundation of British Columbia  
Notes to the Financial Statements

June 30, 2024

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2. Significant Accounting Policies - Continued

(b) Fund Accounting and Revenue Recognition

These financial statements have been prepared in accordance with the restricted fund method of accounting for contributions and restricted revenue. Revenue is recognized in the following funds in accordance with the stipulations specified in Note 2(d) using the restricted fund method:

*General Fund* - used for legal aid and paid to the Legal Services Society of British Columbia.

*Education and Administrative Fund* - used for salary, administrative, education and continuing education of notaries and notarial applicants.

*Grants Fund* - used for legal education, legal research, and establishing, operating and maintaining of law libraries in the Province of British Columbia.

The interest earned on Society members' trust accounts is net of bank charges and remitted to the Foundation based upon agreements made with individual financial institutions. The trust accounts are not the property of nor are they administered by the Foundation and therefore are not included or presented on the Foundation's statement of financial position. The interest earned on members' trust accounts held in financial institutions is recognized by the Foundation on an accrual basis when the amount can be reasonably estimated and collection is reasonably assured (Note 2(d)).

Investment income includes gains and losses on sale of investments carried at amortized cost, interest and dividend income and gains or losses resulting from changes in the fair value of investments. Investment Income is recognized when earned and is allocated on a predetermined basis amongst the funds as described in Note 2(d).

(c) Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. In subsequent periods, equities and bonds quoted in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if any. Financial assets carried at cost or amortized cost 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 subsequently measured at fair value and included in the original cost of the financial instrument for those subsequently measured at amortized cost.

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Notary Foundation of British Columbia  
Notes to the Financial Statements

June 30, 2024

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2. Significant Accounting Policies - Continued

(d) Allocation and disbursements of revenue

All revenue (including investment income) earned by the Foundation must be disbursed in accordance with the Notaries Act of British Columbia as follows:

- a) 55% to be paid to the Legal Services Society of British Columbia.
- b) 10% of the total revenue to be used for legal education, legal research and the establishing, operating and maintaining of law libraries in the Province of British Columbia (the "Grants Fund"). Grant Funds are recognized as payable once approved by the Board of Governors.
- c) 35% of the total revenue to be used for salaries and administration of the Foundation as well as education and continuing education of notaries and notarial applicants (the "Education and Administrative Fund").

(e) Foreign Currency Translations

The Foundation's functional and reporting currency is the Canadian dollar. Foreign currency transactions are translated at the rates of exchange prevailing at the time of the transaction. Foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the reporting date. Gains and losses on translation of monetary assets and liabilities are included in the statement of operations and changes in net assets.

(f) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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3. Cash

The Foundation's cash is held in various Canadian chartered banks. The accounts earn interest at prevailing market rates.

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Notary Foundation of British Columbia  
Notes to the Financial Statements

June 30, 2024

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4. Related Party Transactions

During the year, the Foundation provided a grant in the amount of \$Nil (2023 - \$27,274) to the BC Notaries Captive Insurance Company, a wholly owned subsidiary of the Society. This grant was provided for the education of notaries in accordance with Section 52(1) of the Notaries Act.

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5. Investments

Investments are comprised of:

	2024	2023
	Market Value	Market Value
Pooled fixed income funds	\$ 365,891	\$ -
Pooled equity funds	150,666	-
Foreign equities	-	219,570
Canadian equities	-	519,444
Canadian Corporate bonds	-	663,923
Government bonds	-	1,037,344
Treasury bills	-	104,194
	<u>\$ 516,557</u>	<u>\$ 2,544,475</u>

The Foundation's investments are held through one Canadian investment management company.

Pooled funds are investments actively managed by the investment management company. Pooled fixed income funds include corporate and government bonds. Pooled equity funds are invested in the shares of mid and large capitalization Canadian companies as well as non-Canadian stocks listed on major US exchanges. The foreign equities are translated to Canadian from USD at the exchange rate in effect at the reporting date.

Notary Foundation of British Columbia  
Notes to the Financial Statements

June 30, 2024

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities pertain to the allocation of revenue from the General Fund as described in Note 2(d), less payments made, and are comprised of the following:

	2024	2023
General fund		
Balance, beginning of period	\$ 7,161,386	\$ 1,207,109
Revenue allocated to the Legal		
Services Society of British Columbia	9,446,541	7,161,215
Payments to Legal Services Society of British Columbia	(7,161,386)	(1,206,938)
General fund payables	9,446,541	7,161,386
Grant fund	351,345	11,569
Balance, end of the year	\$ 9,797,886	\$ 7,172,955

June 30, 2024

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7. Financial Instruments Risks

The Foundation, through its financial assets and liabilities, is exposed to various risks. The Foundation has in place an investment policy for the purpose of reducing these risks through prudent management of the portfolio. The following analysis provides a measurement of those risks at June 30, 2024. There have been no significant changes to these risks from the prior year.

(a) Credit and Market Risk

Credit risk is the risk that the Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Foundation to significant credit risk consist primarily of cash, investments and interest and other receivable. Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Foundation limits its exposure to credit risk by placing its cash, short-term investments and long-term investments with high credit quality investment managers, governments, financial institutions, corporations and Canadian and foreign equities in accordance with investment policies adopted by the Foundation. Risk and volatility of investment returns are mitigated through the diversification of investments in different geographic regions and different investment vehicles.

(b) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has limited exposure to foreign exchange risk as 99% (2023 - 99%) of the carrying value of investments are denominated in Canadian dollars. As at June 30, 2024, investments included \$42,421 in a US equity pooled fund (denominated in Canadian dollars) (2023 - \$219,570) and US cash of \$Nil (2023 - \$973).

(c) 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 foundation is exposed to interest rate risk on cash held in banks and on any interest bearing instruments within pooled fund investments.

(d) Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they fall due. The Foundation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due. Investments are held in securities that have an active market.