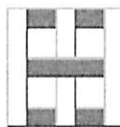

**THE CANADIAN BAR ASSOCIATION
BRITISH COLUMBIA BRANCH
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2013 AND 2012**



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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Phone: 604.714.3600 Fax: 604.714.3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Members of:
The Canadian Bar Association - British Columbia Branch

We have audited the accompanying financial statements of The Canadian Bar Association - British Columbia Branch which comprise the statements of financial position as at August 31, 2013, August 31, 2012 and September 1, 2011 and the statements of revenue and expenditure, changes in net assets and cash flows for the years ended August 31, 2013 and 2012, and the related notes comprising 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian Bar Association - British Columbia Branch as at August 31, 2013, August 31, 2012 and September 1, 2011, and the results of its operations and its cash flows for the years ended August 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Manning Elliott LLP

Chartered Accountants
Vancouver, British Columbia
December 14, 2013

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**STATEMENTS OF FINANCIAL POSITION****AS AT AUGUST 31, 2013, 2012 AND SEPTEMBER 1, 2011**

	August 31 2013	August 31 2012	September 1 2011 (Note 2)
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 227,220	\$ 122,228	\$ 126,852
Marketable securities	743,186	1,673,755	1,893,557
Accounts receivable	81,616	79,352	61,527
Sales tax receivable	17,822	5,938	6,456
Prepaid expenses and deposits	57,589	87,048	128,480
	1,127,433	1,968,321	2,216,872
CAPITAL ASSETS (Note 4)	133,459	119,169	115,802
MARKETABLE SECURITIES - RESERVE	1,031,904	705,489	668,719
	\$ 2,292,796	\$ 2,792,979	\$ 3,001,393

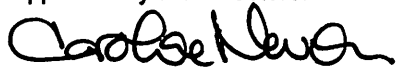
LIABILITIES

CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Note 5)	\$ 220,267	\$ 299,964	\$ 229,692
Deferred revenue - member dues	494,507	501,140	498,098
Deferred revenue - other	351,384	501,742	492,471
Current portion of capital lease obligation (Note 6)	16,999	14,710	-
	1,083,157	1,317,556	1,220,261
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	24,636	36,317	45,143
CAPITAL LEASE OBLIGATION (Note 6)	3,076	20,075	-
	1,110,869	1,373,948	1,265,404

COMMITMENTS (Note 8)**NET ASSETS**

INVESTED IN CAPITAL ASSETS	88,748	48,067	70,659
RESERVE FUND (Note 9)	1,008,069	688,600	655,903
OPERATING FUND	85,110	682,364	1,009,427
	1,181,927	1,419,031	1,735,989
	\$ 2,292,796	\$ 2,792,979	\$ 3,001,393

Approved by the Directors:



Director



Director

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
		(Note 2)
		Total
Invested in capital assets	Reserve fund	Operating fund
Balance at Beginning of Year	\$ 48,067	\$ 688,600
Deficiency of revenue over expenditure		
from operations (Note 10)	-	(267,725)
Amortization of capital assets	-	(47,819)
Amortization of deferred capital contributions	-	11,681
Unrealized gain on marketable securities	-	5,373
Transfer to reserve fund from operating fund	-	(258,083)
Reserve fund transactions (Note 9)	-	61,386
Increase in capital assets	62,109	(62,109)
Amortization of capital assets	(47,819)	47,819
Decrease in capital lease obligation	14,710	(14,710)
Amortization of deferred capital contributions	11,681	(11,681)
Balance at End of Year	\$ 88,748	\$ 85,110

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENTS OF REVENUE AND EXPENDITURE
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012 (Note 2)
REVENUE		
From membership dues:		
Rebate from National Association	\$ 984,356	\$ 1,002,657
Branch assessment	315,923	330,771
Other National revenue	98,491	108,915
From branch operations:		
Professional development	460,066	540,154
Directory sales and advertising	332,139	341,814
Section registration fees	228,395	229,797
Communication	175,725	176,291
Member services	92,670	107,135
Investment income	72,141	62,412
Golf tournament	30,268	25,700
Bench and bar dinner	29,585	28,004
Sundry and other activities	19,838	14,221
Grants (Note 11)	393,783	504,020
	3,233,380	3,471,891
EXPENDITURE		
Activities (Note 12)	2,029,674	2,337,317
Administration	1,166,254	1,138,989
Governance	305,177	324,762
	3,501,105	3,801,068
DEFICIENCY OF REVENUE OVER EXPENDITURE FROM OPERATIONS (Note 10)	(267,725)	(329,177)
OTHER ITEMS		
Amortization of capital assets	(47,819)	(48,474)
Amortization of deferred capital contributions	11,681	15,198
Unrealized gain on marketable securities	5,373	17,798
	(30,765)	(15,478)
DEFICIENCY OF REVENUE OVER EXPENDITURE FOR THE YEAR	\$ (298,490)	\$ (344,655)

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012 (Note 2)
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditure for the year	\$ (298,490)	\$ (344,655)
Reserve fund transactions (Note 9)	61,386	27,697
Items not involving cash:		
Amortization of capital assets	47,819	48,474
Amortization of deferred capital contributions	(11,681)	(15,198)
Imputed interest on capital lease obligation	4,104	4,944
Unrealized gain on marketable securities	(5,373)	(17,798)
Unrealized gain on marketable securities - reserve	(28,780)	(8,754)
	(231,015)	(305,290)
Change in non-cash working capital items:		
Marketable securities	935,942	237,600
Accounts receivable	(2,264)	(17,825)
Sales tax receivable	(11,884)	518
Prepaid expenses and deposits	29,459	41,432
Accounts payable and accrued liabilities	(79,697)	70,272
Deferred revenue	(156,991)	12,313
	483,550	39,020
INVESTING AND FINANCING ACTIVITIES		
Capital lease payments	(18,814)	(15,627)
Purchase of marketable securities - reserves	(297,635)	(28,016)
Purchase of capital assets	(62,109)	(6,373)
Funding received for leasehold improvements	-	6,372
	(378,558)	(43,644)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR	104,992	(4,624)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	122,228	126,852
CASH AND EQUIVALENTS, END OF YEAR	\$ 227,220	\$ 122,228
NON-CASH INVESTING AND FINANCING ACTIVITY (Notes 4 & 6)		

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

PURPOSE OF THE ORGANIZATION

The Canadian Bar Association - British Columbia Branch ("the Association") is a professional organization, which was formed in 1896 and incorporated under a Special Act of Parliament in 1921. The mission of the Association is:

- a) to improve the law;
- b) to improve the administration of justice;
- c) to improve and promote access to justice;
- d) to promote equality in the legal profession and in the justice system;
- e) to improve and promote the knowledge, skills, ethical standards and well-being of members of the legal profession;
- f) to represent the legal profession nationally and internationally; and
- g) to promote the interest of the members of the Association.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") under Part III of the CPA Canada Handbook - Accounting. Financial statements prepared in accordance with ASNPO are also in accordance with Canadian generally accepted accounting principles ("GAAP"). See Note 2 for information regarding the Association's adoption of ASNPO.

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Financial instruments

i) Measurement

The Association's financial instruments consist of cash and equivalents, marketable securities, accounts receivable, accounts payable and capital lease obligation.

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all debt and equity securities that are quoted in an active market at fair value. All other financial instruments are subsequently measured at amortized cost. Changes to financial instruments measured at fair value are recognized in the Association's operating and reserve funds in the period incurred.

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in statement of revenue and expenditure. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of revenue and expenditure in the period in which it is determined.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into known amounts of cash, having a maturity of three months or less from the date of acquisition or which are convertible to cash on demand.

c) Amortization

Capital assets are recorded at historical cost and amortized over their estimated useful lives at the following annual rates:

Computer equipment	30%	declining balance basis
Computer equipment under capital lease	30%	declining balance basis
Furniture and equipment	20%	declining balance basis
Leasehold improvements	5 years	straight-line method
Office equipment	20%	declining balance basis
Phone/voice equipment	20%	declining balance basis
Website	5 years	straight-line method

A full year's amortization is taken in the year an asset is acquired, while no amortization is taken in the year of disposal.

d) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Impairment losses are not reversed if fair value subsequently increases.

e) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value at the beginning of such lease. Assets recorded under capital leases are amortized as described in Note 1(c).

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Revenue recognition

The Association follows the deferral method of accounting for revenue. Committed revenue is recognized in the year in which the related expenses are incurred. Uncommitted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Reserve investment income is allocated directly to reserves. Unrestricted investment income is recognized as revenue when earned.

Member dues consist of branch assessments and rebates from the National Association.

Dues are collected with respect to a member's anniversary date with the Association. Accordingly, that portion of the fees received, which relates to the period subsequent to August 31, is recorded in the accounts as deferred members' dues.

Other deferred revenues consist of grant revenue, professional development registration and sponsorship fees and directory revenue. These amounts have been received at year end but will not be recognized as revenue until the related services have been performed.

Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset.

g) 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.

h) Allocation of expenses

The Association reports its expenses under the following functions: Activities, Administration and Governance. Each of the functions is allocated a portion of the Association's total salaries and benefit expense. This allocation is based on the relative amount of time the Association's employees work within each function.

i) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the useful lives of assets for amortization, measurement of deferred revenue and the amounts recorded as accrued liabilities.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

2. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

The Association adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") on September 1, 2012 for its year ended August 31, 2013. As these are the Association's first set of ASNPO financial statements, they have been prepared retrospectively as at the opening statement of financial position date of September 1, 2011. Retrospective preparation upon the first-time adoption of ASNPO allows for the use of certain exemptions and elections. The Association has not made use of any exemptions or elections.

The adoption of ASNPO resulted in a change in accounting policy with respect to the Association's financial instruments. Under ASNPO, the Association accounts for its financial instruments following the policies described in Note 1(a). The Association previously followed the accounting policies for financial instruments set out in Sections 3855 and 3861 of Part V of the CPA Canada Handbook - Accounting. Although there has been a change in accounting policy, there has been no effect on the carrying amounts of the Association's financial instruments.

The adoption of ASNPO did not result in any other changes in accounting policy or changes in the carrying amounts of the Associations assets and liabilities.

Accordingly, the adoption of ASNPO had no effect on the Association's opening statement of financial position as at September 1, 2011, the comparative statement of financial position as at August 31, 2012 or its deficiency of revenue over expenditure or cash flows for the year ended August 31, 2012.

In addition, certain other comparative amounts have been reclassified to ensure comparability with the presentation format adopted in the current period. These reclassifications do not have any effect on the net assets or deficiency of revenue over expenditure previously reported.

3. FINANCIAL INSTRUMENTS RISKS

The Association's financial instruments are described in Note 1(a). In management's opinion, the Association is not exposed to significant currency, liquidity, credit, interest rate or other market risks except as explained below. In addition, the Association is not exposed to any material concentrations of risk and there has been no change in risk exposures from the prior year.

Market Risk

The Association's marketable securities include fixed income debt securities and equity securities. The fair value and related investment income stream from these marketable securities will fluctuate according to changes in interest rates among other factors.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

4. CAPITAL ASSETS

				2013	2012
	Cost	Accumulated Amortization		Net Book Value	Net Book Value
Computer equipment	\$ 106,576	\$ 81,475	\$	25,101	\$ 26,965
Computer equipment under capital lease	45,468	23,189		22,279	31,828
Furniture and equipment	21,076	14,799		6,277	7,846
Leasehold improvements	52,033	31,220		20,813	38,661
Office equipment	18,248	12,468		5,780	7,225
Phone/voice equipment	14,349	9,033		5,316	6,644
Website	53,215	5,322		47,893	-
	\$ 310,965	\$ 177,506	\$	133,459	\$ 119,169

5. RELATED PARTY TRANSACTIONS

Included in accounts payable is \$44,959 (2012 - \$50,712) held on behalf of the CBA (BC) Benevolent Society ("the Society"). The President of the Association appoints the majority of members of the board of directors of the Society. The Society is a separate entity from the Association.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

6. CAPITAL LEASE OBLIGATION

The Association entered into a lease agreement in 2012 to acquire computer equipment. The liability recorded under the capital lease represents the minimum lease payments payable net of imputed interest. The Association's obligations under capital leases consist of:

	2013	2012
National Leasing Group Inc., payable in monthly instalments of \$1,568, which include imputed interest at an effective annual rate of 15.56%, secured by specific equipment, due on October 31, 2014	\$ 21,945	\$ 40,760
Less: imputed interest	1,870	5,975
	20,075	34,785
Less: current portion	16,999	14,710
	\$ 3,076	\$ 20,075

Minimum repayments over the next two years are anticipated to be as follows:

2014	\$ 18,815
2015	3,130
Less: imputed interest	(1,870)
	\$ 20,075

Imputed interest charged as an expense to the statement of revenue or expenditure for the year totaled \$4,104 (2012 - \$4,944).

7. DEFERRED CAPITAL CONTRIBUTIONS

	2013	2012
Balance at beginning of year	\$ 36,317	\$ 45,143
Funding for leasehold improvements	-	6,372
Amortized to revenue	(11,681)	(15,198)
	\$ 24,636	\$ 36,317

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

8. COMMITMENTS

The Association leases its office premises under a lease agreement which expires September 30, 2018. In addition to basic rent, the Association is required to pay a portion of certain operating costs and property taxes. The Association has also leased equipment under a lease agreement which expires during October 2018. Basic rent under the office premises lease agreement and payments under the equipment lease for the next five fiscal years are anticipated to be as follows:

2014	\$	142,808
2015		141,228
2016		141,228
2017		141,228
2018		141,228
	\$	<u>707,720</u>

9. RESERVE FUND

The Association's reserve fund was established in 1989. Disbursements from this fund are to be made only with the approval of the Provincial Council. The Association invests the assets comprising this fund separately from unrestricted net assets. The continuity of the reserve fund is as follows:

	2013	2012
Balance at beginning of year	\$ 688,600	\$ 655,903
Reserve fund transactions:		
Investment income - marketable securities - reserve	39,551	28,016
Investment counsel fees - marketable securities - reserve	(6,945)	(4,073)
Unrealized gain - marketable securities - reserve	28,780	8,754
Scholarship funding, net	-	(5,000)
	<u>61,386</u>	<u>27,697</u>
Transfer to reserve fund from operating fund	<u>258,083</u>	<u>5,000</u>
	<u>\$ 1,008,069</u>	<u>\$ 688,600</u>

10. DEFICIENCY OF REVENUE OVER EXPENDITURE FROM OPERATIONS

The Association's Provincial Council approved a budgeted deficiency of up to \$352,000 for the year ended August 31, 2013. The actual deficiency of revenue over expenditure from operations for the year is \$267,725.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

11. GRANTS

Total grants received during the year are as follows:

	2013	2012
Law Foundation of British Columbia	\$ 294,310	\$ 413,598
Law Society of British Columbia	80,000	80,000
Vancouver Bar Association	4,500	4,500
Canadian Bar Association - Law for the future fund	-	6,000
Grants received and deferred to the next fiscal year	-	(14,973)
Deferred grants recognized as revenue	14,973	14,895
	\$ 393,783	\$ 504,020

12. ACTIVITIES EXPENDITURE

Detail on certain expenditure categories is provided below for additional information. These expenditures are included in the total activities expenditure of \$2,029,674 (2012 - \$2,337,317) for the year.

	2013	2012
Professional development	\$ 368,154	\$ 462,843
Sections	270,319	293,934
Public service programs	270,841	276,251
Legal aid (special projects 2012)	623	143,452
Member services	50,409	69,670