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**THE CANADIAN BAR ASSOCIATION  
BRITISH COLUMBIA BRANCH  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
AUGUST 31, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

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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 statement of financial position as at August 31, 2016, and the statements of revenue and expenditure, changes in net assets and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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, we consider 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 audit 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Manning Elliott LLP*

Chartered Professional Accountants  
Vancouver, British Columbia  
January 28, 2017

**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 106,972	\$ 20,311
Marketable securities	416,520	377,780
Accounts receivable	34,700	47,456
Sales tax receivable	7,170	7,084
Prepaid expenses and deposits	31,612	33,663
	596,974	486,294
CAPITAL ASSETS (Note 3)	83,470	89,867
MARKETABLE SECURITIES - RESERVE FUND	1,274,831	1,152,010
	\$ 1,955,275	\$ 1,728,171
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 243,130	\$ 232,379
Deferred revenue - member dues	10,801	4,087
Deferred revenue - other	200,846	116,197
Current portion of capital lease obligation (Note 5)	12,798	-
	467,575	352,663
CAPITAL LEASE OBLIGATION (Note 5)	27,490	-
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	-	1,274
	495,065	353,937
COMMITMENTS (Note 7)		
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS	83,470	88,593
RESERVE FUND - RESTRICTED (Note 8)	899,554	899,554
RESERVE FUND - LONG-TERM UNRESTRICTED (Note 8)	375,277	252,456
OPERATING FUND	101,909	133,631
	1,460,210	1,374,234
	\$ 1,955,275	\$ 1,728,171

Approved by the Directors:

\_\_\_\_\_ Director

\_\_\_\_\_ Director



**THE CANADIAN BAR ASSOCIATION – BRITISH COLUMBIA BRANCH**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED AUGUST 31, 2016**

	Invested in capital assets	Restricted Reserve Fund	Long-term Unrestricted Reserve Fund	Operating Fund	2016 Total	2015 Total
BALANCE AT BEGINNING OF YEAR	\$ 88,593	\$ 899,554	\$ 252,456	\$ 133,631	\$ 1,374,234	\$ 1,325,571
Excess of revenue over expenditure from operations	-	-	-	14,803	14,803	19,265
Amortization of capital assets	-	-	-	(37,263)	(37,263)	(42,786)
Amortization of deferred capital contributions	-	-	-	1,274	1,274	11,681
Loss on disposal of capital assets	-	-	-	(9,022)	(9,022)	(3,784)
Unrealized loss on marketable securities	-	-	-	1,975	1,975	(7,451)
Unrealized foreign exchange gain	-	-	-	-	-	8,713
Reserve fund transactions (Note 8)	-	-	114,209	-	114,209	63,025
Investment counsel fees paid for by Operating fund	-	-	8,612	(8,612)	-	-
Acquisition of capital lease equipment	40,288	-	-	(40,288)	-	-
Loss on disposal of capital assets	(9,022)	-	-	9,022	-	-
Proceeds from disposal of capital assets	(400)	-	-	400	-	-
Amortization of capital assets	(37,263)	-	-	37,263	-	-
Amortization of deferred capital contributions	1,274	-	-	(1,274)	-	-
BALANCE AT END OF YEAR	\$ 83,470	\$ 899,554	\$ 375,277	\$ 101,909	\$ 1,460,210	\$ 1,374,234



**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**STATEMENT OF REVENUE AND EXPENDITURE**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>		
From membership dues:		
Rebate from National Association	\$ 1,014,027	\$ 977,969
Branch assessment	631,088	581,518
Other National revenue	78,103	72,766
From branch operations:		
Professional development	365,211	458,321
Communication	237,770	252,248
Directory sales and advertising	195,400	207,128
Section activities	133,423	164,375
Member services	53,358	45,633
Investment income	36,765	50,755
Bench and bar dinners	32,566	58,465
Scholarship fundraisers	9,878	17,228
Sundry and other activities	8,691	10,413
Section registration fees	-	320
Grants (Note 9)	337,330	377,253
	<b>3,133,610</b>	<b>3,274,392</b>
<b>EXPENDITURE</b>		
Activities (Note 10)	1,803,148	1,913,013
Administration	1,074,991	1,098,363
Governance	240,668	243,751
	<b>3,118,807</b>	<b>3,255,127</b>
<b>EXCESS OF REVENUE OVER EXPENDITURE FROM OPERATIONS</b>	<b>14,803</b>	<b>19,265</b>
<b>OTHER ITEMS</b>		
Amortization of capital assets	(37,263)	(42,786)
Amortization of deferred capital contributions	1,274	11,681
Loss on disposal of capital assets	(9,022)	(3,784)
Unrealized gain (loss) on marketable securities	1,975	(7,451)
Unrealized foreign exchange gain	-	8,713
	<b>(43,036)</b>	<b>(33,627)</b>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	<b>\$ (28,233)</b>	<b>\$ (14,362)</b>



**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

	2016	2015
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditure for the year	\$ (28,233)	\$ (14,362)
Reserve fund transactions (Note 8)	114,209	63,025
Items not involving cash:		
Amortization of capital assets	37,263	42,786
Amortization of deferred capital contributions	(1,274)	(11,681)
Imputed interest on capital lease obligation	-	56
Unrealized (gain) loss on marketable securities	(1,975)	7,451
Loss on disposal of capital assets	9,022	3,784
Unrealized (gain) loss on marketable securities - reserve	(70,248)	103,838
	58,764	194,897
Change in non-cash working capital items:		
Marketable securities	(36,765)	149,246
Accounts receivable	12,756	(488)
Sales tax receivable	(86)	(1,912)
Prepaid expenses and deposits	2,051	33,492
Accounts payable and accrued liabilities	10,751	(16,508)
Deferred revenue	91,363	(236,527)
	138,834	122,200
INVESTING AND FINANCING ACTIVITIES		
Capital lease payment	-	(3,132)
Purchase of marketable securities - reserves, net	(52,573)	(174,946)
Proceeds from disposal of capital assets	400	406
Purchase of capital assets	-	(9,386)
	(52,173)	(187,058)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR		
	86,661	(64,858)
CASH AND EQUIVALENTS, BEGINNING OF YEAR		
	20,311	85,169
CASH AND EQUIVALENTS, END OF YEAR		
	\$ 106,972	\$ 20,311

NON-CASH INVESTING AND FINANCING ACTIVITIES (Notes 3 & 5)



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**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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**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").

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



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**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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.

b) Cash and equivalents

Cash and 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) Capital assets

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
Office equipment	20%	declining balance basis
Website	5 years	straight-line method

The Association monitors the recoverability of capital assets based on their long-term service potential. When a capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenditure. Write-downs recognized under this policy are not reversed.

d) 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.



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**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

e) 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 and recognized in alignment with the Association's fiscal year.

Other deferred revenues consist of grant revenue, professional development registration, 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.

f) 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.

g) 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.

h) 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 calculating amortization expense and the amounts recorded as accrued liabilities.



**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**2. 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 price 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.

**3. CAPITAL ASSETS**

			<b>2016</b>		<b>2015</b>
	Cost	Accumulated Amortization	Net Book Value		Net Book Value
Computer equipment	\$ 113,988	\$ 103,738	\$ 10,250	\$	24,064
Computer equipment under capital lease	40,288	12,086	28,202		-
Furniture and equipment	36,470	25,249	11,221		14,026
Office equipment	18,248	15,289	2,959		3,699
Website	86,196	55,358	30,838		48,078
	<b>\$ 295,190</b>	<b>\$ 211,720</b>	<b>\$ 83,470</b>	<b>\$</b>	<b>89,867</b>

**4. RELATED PARTY TRANSACTIONS**

The Association appoints the majority of directors of the CBA (BC) Benevolent Society (the "Society"), which is organized as a separate legal entity under the Societies Act. The Association does not control the Society through its appointment of directors, as the Association and Law Society of British Columbia have equal control as members of the Society. The Society is governed by its own separate constitution and bylaws and operates independently, with financial risk management controls reported annually to the Association as a member of the Society. There are no current liabilities reported by the Society with respect to financial risk to the Association.

Included in accounts payable is \$Nil (2015 - \$12,130) held on behalf of the CBA (BC) Benevolent Society.



**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

5. CAPITAL LEASE OBLIGATION

The Association entered into a lease agreement in 2016 to acquire computer equipment. The liability recorded under the capital lease represents the minimum lease payments payable. The Association's obligation under capital leases consist of:

	<b>2016</b>	<b>2015</b>
National Leasing Group Inc., payable in monthly instalments of \$1,290, which include imputed interest at an annual rate of 7.8%, secured by specific equipment, due on August 31, 2019	\$ 45,164	\$ -
Less: imputed interest	(4,876)	-
	<u>40,288</u>	<u>-</u>
Less: current portion	(12,798)	-
	<u>\$ 27,490</u>	<u>\$ -</u>

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

2017	\$ 15,477
2018	15,477
2019	14,210
Less: imputed interest	(4,876)
	<u>\$ 40,288</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

	<b>2016</b>	<b>2015</b>
Balance at beginning of year	\$ 1,274	\$ 12,955
Amortized to revenue	(1,274)	(11,681)
	<u>\$ -</u>	<u>\$ 1,274</u>



**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**7. 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 lease agreements which expire during December 2017 and October 2018. Basic rent under the office premises lease agreement and payments under the equipment leases for the next three fiscal years are anticipated to be as follows:

2017	\$	152,223
2018		147,293
2019		13,031
	\$	<u>312,547</u>

**8. RESERVE FUND**

The Association's reserve fund is comprised of a restricted portion which is to be maintained at no less than \$899,554 and a long-term unrestricted portion. The interest accrued in the restricted portion will be held in the unrestricted portion. The restricted portion of the reserve fund was established in 1989. Disbursements from the restricted portion of the fund are to be made only with the approval of the Provincial Council. The Association invests the assets comprising both components of the reserve fund separately from other net assets. The continuity of the reserve fund is as follows:

	<b>2016</b>	<b>2015</b>
Balance at beginning of year	\$ 1,152,010	\$ 1,080,902
Reserve fund transactions:		
Investment income - marketable securities - reserve	52,573	174,946
Investment counsel fees - marketable securities - reserve	(8,612)	(8,083)
Unrealized gain (loss) - marketable securities - reserve	70,248	(103,838)
	<u>114,209</u>	<u>63,025</u>
Investment counsel fees paid for by Operating fund	8,612	8,083
	<u>\$ 1,274,831</u>	<u>\$ 1,152,010</u>
Comprised as follows:		
	<b>2016</b>	<b>2015</b>
Restricted portion	\$ 899,554	\$ 899,554
Long-term unrestricted portion	375,277	252,456
	<u>\$ 1,274,831</u>	<u>\$ 1,152,010</u>



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**THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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9. GRANTS

Total grants received during the year are as follows:

	<b>2016</b>	<b>2015</b>
Law Foundation of British Columbia	\$ 310,196	\$ 302,711
Law Society of British Columbia	35,964	47,710
Vancouver Bar Association	4,500	4,500
Grants received and deferred to the next fiscal year	(23,773)	(10,443)
Deferred grants recognized as revenue	10,443	32,775
	<hr/> \$ 337,330	<hr/> \$ 377,253

10. ACTIVITIES EXPENDITURE

Detail on certain expenditure categories is provided below for additional information. These expenditures are included in the total activities expenditure of \$1,803,148 (2015 - \$1,913,013) for the year.

	<b>2016</b>	<b>2015</b>
Communication and BarTalk	\$ 211,864	\$ 236,718
Professional development	297,431	407,576
Public service programs	251,012	225,789
Sections- activities	131,988	166,788
Sections- administration	270,647	223,861

11. COMPARATIVE FIGURES

Certain amounts in the prior year financial statements presented for comparative purposes have been reclassified to conform to the line item groupings adopted in the current year financial statements. Such reclassification does not have any effect on the total assets, total net assets or deficiency of revenue over expenditure previously reported.

