
THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Canadian Bar Association - British Columbia Branch (the "Association"), which comprise the statement of financial position as at August 31, 2019, and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at August 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association 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.

Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
February 1, 2020

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 168,928	\$ 31,248
Marketable securities	728,491	612,907
Accounts receivable	102,571	56,224
Sales tax receivable	2,518	13,278
Prepaid expenses and deposits	63,276	41,952
	1,065,784	755,609
CAPITAL ASSETS (Note 3)	49,864	49,472
MARKETABLE SECURITIES - RESERVE FUND	1,543,194	1,410,730
	\$ 2,658,842	\$ 2,215,811
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 306,436	\$ 271,758
Deferred revenue	106,955	64,738
Current portion of capital lease obligation (Note 5)	1,866	14,595
	415,257	351,091
CAPITAL LEASE OBLIGATION (Note 5)	-	1,289
	415,257	352,380
COMMITMENTS (Note 6)		
NET ASSETS		
INVESTED IN CAPITAL ASSETS	49,864	49,472
RESERVE FUND - RESTRICTED (Note 7)	899,554	899,554
RESERVE FUND - LONG-TERM UNRESTRICTED (Note 7)	643,640	511,176
OPERATING FUND	650,527	403,229
	2,243,585	1,863,431
	\$ 2,658,842	\$ 2,215,811

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, 2019

	Invested in capital assets	Restricted Reserve Fund	Long-term Unrestricted Reserve Fund	Operating Fund	2019 Total	2018 Total
BALANCE AT BEGINNING OF YEAR	\$ 49,472	\$ 899,554	\$ 511,176	\$ 403,229	\$ 1,863,431	\$ 1,582,470
Excess of revenue over expenditure from operations	-	-	-	254,557	254,557	235,499
Amortization of capital assets (Note 3)	(18,914)	-	-	-	(18,914)	(29,992)
Loss on disposal of capital assets	(1,054)	-	-	-	(1,054)	-
Unrealized (loss) gain on marketable securities	-	-	-	23,290	23,290	(2,022)
Unrealized foreign exchange (loss) gain	-	-	-	-	-	2,464
Reserve fund transactions (Note 7)	-	-	122,275	-	122,275	75,012
Investment counsel fees paid for by Operating fund	-	-	10,189	(10,189)	-	-
Acquisition of capital assets	20,360	-	-	(20,360)	-	-
BALANCE AT END OF YEAR	\$ 49,864	\$ 899,554	\$ 643,640	\$ 650,527	\$ 2,243,585	\$ 1,863,431

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
REVENUE		
From membership dues:		
Rebate from National Association	\$ 1,161,384	\$ 1,061,872
Branch assessment	546,636	685,201
Other National revenue	99,284	79,774
From branch operations:		
Professional development	375,679	576,250
Communication	311,779	339,633
Section activities	130,230	133,580
Member services	41,068	61,406
Bench and bar dinners	46,051	29,380
Directory sales and advertising	16,629	27,162
Investment income	42,294	26,036
Sundry and other activities	31,718	9,412
Scholarship fundraisers	-	2,430
Shared services	128,338	-
Grants (Note 8)	273,532	370,834
	3,204,622	3,402,970
EXPENDITURES		
Activities (Note 9)	1,699,811	1,898,218
Administration	1,049,039	1,070,053
Governance	201,215	199,200
	2,950,065	3,167,471
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	254,557	235,499
OTHER ITEMS		
Amortization of capital assets	(18,914)	(29,992)
Loss on disposal of capital assets	(1,054)	-
Unrealized foreign exchange loss	-	2,464
Unrealized gain (loss) on marketable securities	23,290	(2,022)
	3,322	(29,550)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 257,879	\$ 205,949

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 257,879	\$ 205,949
Reserve fund transactions (Note 7)	122,275	75,012
Items not affecting cash:		
Amortization of capital assets	18,914	29,992
Loss on disposal of capital assets	1,054	-
Unrealized gain on marketable securities - reserve	(76,911)	(22,293)
Unrealized (gain) loss on marketable securities	(23,290)	2,022
	299,921	290,682
Changes in non-cash working capital items:		
Marketable securities	(92,294)	(375,820)
Accounts receivable	(46,347)	(17,773)
Sales tax receivable	10,760	9,459
Prepaid expenses and deposits	(21,324)	20,426
Accounts payable and accrued liabilities	34,678	45,164
Deferred revenue	42,217	(177,238)
	227,611	(205,100)
INVESTING ACTIVITIES		
Purchase of marketable securities - reserves, net	(55,553)	(62,325)
Purchase of capital assets	(20,360)	(19,293)
	(75,913)	(81,618)
FINANCING ACTIVITY		
Repayment of capital lease liability	(14,018)	(13,282)
INCREASE (DECREASE) IN CASH DURING THE YEAR	137,680	(300,000)
CASH, BEGINNING OF YEAR	31,248	331,248
CASH, END OF YEAR	\$ 168,928	\$ 31,248

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

PURPOSE OF THE ASSOCIATION

The Canadian Bar Association - British Columbia Branch ("the Association") is a branch of the Canadian Bar Association, 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, diversity and inclusiveness 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 provide opportunities for members to connect and contribute to the legal community;
- g) to represent the legal profession provincially, nationally and internationally; and
- h) to promote the interests of the members of The Canadian Bar 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:

(a) Financial instruments

i) Measurement

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

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 expenditures. 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 expenditures in the period in which it is determined.

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THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(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
Leasehold improvements	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 expenditures. 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.

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).

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THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(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.

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
YEAR ENDED AUGUST 31, 2019

2. FINANCIAL INSTRUMENTS

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.

Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk on its accounts receivable. The Association manages this risk by monitoring its aged receivables.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable. The Association mitigates this risk by maintaining sufficient cash reserves.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Association is not exposed to currency risk.

Interest rate and other price 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. In order to mitigate this risk, the Association manages exposure through its investment policy.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer equipment	\$ 151,996	\$ 127,434	\$ 24,562	\$ 33,300
Furniture and equipment	40,540	32,190	8,350	10,437
Leasehold improvements	3,600	2,160	1,440	2,160
Office equipment	18,248	16,733	1,515	1,894
Website	103,692	89,695	13,997	1,681
	\$ 318,076	\$ 268,212	\$ 49,864	\$ 49,472

Total amortization expense pertaining to capital assets for the year was \$18,914 (2018 - \$29,992).

Computer equipment under capital lease has a net book value of \$Nil (2018 - \$Nil). However, the Association maintains ownership of such assets, and continues to use them in its operations.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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 (2018 - \$Nil) held on behalf of the CBA (BC) Benevolent Society.

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 payment payable. The Association's obligation under capital lease consists of:

	2019	2018
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 September 30, 2019	\$ 1,866	\$ 16,776
Less: imputed interest	-	(892)
	1,866	15,884
Less: current portion	(1,866)	(14,595)
	\$ -	\$ 1,289

The anticipated lease payments during the next fiscal year are estimated to be in the amount of \$1,866.

6. COMMITMENTS

The Association leases its office premises under a lease agreement which expires September 2023. 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 March 2023 and January 2024. Basic rent under the office premises lease agreement and payments under the equipment leases for the next five fiscal years are anticipated to be as follows:

2020	\$ 153,395
2021	158,238
2022	162,708
2023	158,279
2024	13,070
	<u>\$ 645,690</u>

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

7. 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:

	2019	2018
Balance at beginning of year	\$ 1,410,730	\$ 1,326,112
Reserve fund transactions:		
Investment income - marketable securities - reserve	55,553	62,325
Investment counsel fees - marketable securities - reserve	(10,189)	(9,606)
Unrealized gain - marketable securities - reserve	76,911	22,293
	122,275	75,012
Investment counsel fees paid for by Operating fund	10,189	9,606
	1,543,194	1,410,730
Comprised as follows:		
Restricted portion	899,554	899,554
Long-term unrestricted portion	643,640	511,176
	\$ 1,543,194	\$ 1,410,730

8. GRANTS

Total grants received during the year are as follows:

	2019	2018
Law Foundation of British Columbia	\$ 266,250	\$ 324,205
Law Society of British Columbia	5,000	37,173
Vancouver Bar Association	5,000	5,000
Columbia Basin Trust	8,750	-
Grants received and deferred to the next fiscal year	(11,468)	(10,243)
Deferred grants recognized as revenue	-	14,699
	\$ 273,532	\$ 370,834

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

9. ACTIVITIES EXPENDITURE

Detail on certain expenditure categories is provided below for additional information. These expenditures are included in the total activities expenditure of \$1,699,811 (2018 - \$1,898,218) for the year.

	2019	2018
Communication and BarTalk	\$ 267,886	\$ 283,833
Professional development	\$ 254,788	\$ 388,066
Public service programs	\$ 184,751	\$ 233,171
Sections-activities	\$ 143,161	\$ 122,371
Sections-administration	\$ 279,446	\$ 277,558