
THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

INDEPENDENT AUDITORS' 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, 2023, 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, 2023, 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 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 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 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 related 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.

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:

INDEPENDENT AUDITORS' REPORT

- 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
December 15, 2023

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 181,262	\$ 20,716
Accounts receivable	250,346	109,660
GST recoverable	6,525	-
Prepaid expenses and other current assets	140,684	113,397
	578,817	243,773
SECURITY DEPOSIT	68,616	-
CAPITAL ASSETS (Note 3)	385,507	84,147
MARKETABLE SECURITIES - RESERVE FUND (Note 8)	1,655,923	2,413,538
	\$ 2,688,863	\$ 2,741,458
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 279,145	\$ 209,366
Government remittances payable	-	696
Deferred revenue (Note 5)	320,927	65,245
	600,072	275,307
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 6)	170,000	-
	770,072	275,307
COMMITMENTS (Note 7)		
NET ASSETS		
INVESTED IN CAPITAL ASSETS	215,507	84,147
RESERVE FUND - RESTRICTED (Note 8)	1,054,801	1,054,801
RESERVE FUND - LONG-TERM UNRESTRICTED (Note 8)	601,122	1,358,737
OPERATING FUND	47,361	(31,534)
	1,918,791	2,466,151
	\$ 2,688,863	\$ 2,741,458

Approved by the Directors


 _____ Director


 _____ Director

See notes to financial statements

THE CANADIAN BAR ASSOCIATION – BRITISH COLUMBIA BRANCH

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2023

	Invested in capital assets	Restricted Reserve Fund	Long-term Unrestricted Reserve Fund	Operating Fund	2023 Total
BALANCE AT BEGINNING OF YEAR	\$ 84,147	\$ 1,054,801	\$ 1,358,737	\$ (31,534)	\$ 2,466,151
(Deficiency) excess of revenue over expenditures from operations	(33,120)	-	135,211	(649,451)	(547,360)
Deferred contributions related to capital assets	(170,000)	-	-	170,000	-
Transfer to Operating Fund (Note 8)	-	-	(892,826)	892,826	-
Acquisition of capital assets	334,480	-	-	(334,480)	-
BALANCE AT END OF YEAR	\$ 215,507	\$ 1,054,801	\$ 601,122	\$ 47,361	\$ 1,918,791

	Invested in capital assets	Restricted Reserve Fund	Long-term Unrestricted Reserve Fund	Operating Fund	2022 Total
BALANCE AT BEGINNING OF YEAR	\$ 44,340	\$ 1,054,801	\$ 936,536	\$ 851,347	\$ 2,887,024
Deficiency of revenue over expenditures from operations	(25,406)	-	(122,799)	(250,011)	(398,216)
Unrealized (loss) gain on marketable securities	-	-	-	(22,657)	(22,657)
Transfer from Operating Fund (Note 8)	-	-	545,000	(545,000)	-
Acquisition of capital assets	65,213	-	-	(65,213)	-
BALANCE AT END OF YEAR	\$ 84,147	\$ 1,054,801	\$ 1,358,737	\$ (31,534)	\$ 2,466,151

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022
REVENUE		
From membership dues:		
Rebate from National Association	\$ 1,249,309	\$ 1,196,200
Branch assessment	567,666	560,521
Other National revenue	77,846	75,046
From branch operations:		
Communication	313,505	424,056
Professional development	226,252	202,130
Shared services	158,301	136,832
Grants (Note 9)	65,189	90,512
Section activities	64,885	46,387
Member services	50,757	52,861
Bench and bar dinners	43,865	31,929
Investment income	21,757	9,164
Sundry and other activities	14,086	24,934
	2,853,418	2,850,572
EXPENDITURES		
Activities (Note 10)	2,072,879	1,748,750
Administration	1,218,251	1,216,659
Governance	211,739	135,174
	3,502,869	3,100,583
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(649,451)	(250,011)
OTHER ITEMS		
Amortization of capital assets (Note 3)	(33,120)	(25,406)
Unrealized loss on marketable securities	-	(22,657)
	(33,120)	(48,063)
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE THE UNDERNOTED	(682,571)	(298,074)
RESERVE FUND TRANSACTIONS (Note 8)	135,211	(122,799)
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ (547,360)	\$ (420,873)

See notes to financial statements

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	\$ (547,360)	\$ (420,873)
Items not affecting cash:		
Amortization of capital assets	33,120	25,406
Loss on disposal of investments	-	22,657
Unrealized loss on marketable securities - reserve	20,796	233,043
Forgiven portion of CEBA loan	-	(10,000)
	(493,444)	(149,767)
Changes in non-cash working capital:		
Marketable securities	-	735,836
Accounts receivable	29,314	(816)
GST recoverable	(6,525)	1,475
Prepaid expenses and other current assets	(95,903)	(55,913)
Accounts payable and accrued liabilities	69,779	(9,908)
Government remittances payable	(696)	-
Deferred revenue	255,682	(28,644)
	251,651	642,030
	(241,793)	492,263
INVESTING ACTIVITIES		
Purchase of marketable securities - reserves, net	736,819	(655,244)
Purchase of capital assets	(334,480)	(65,213)
	402,339	(720,457)
FINANCING ACTIVITY		
Repayment of the Canada Emergency Business Account Loan	-	(30,000)
INCREASE (DECREASE) IN CASH DURING THE YEAR	160,546	(258,194)
CASH - BEGINNING OF YEAR	20,716	278,910
CASH - END OF YEAR	\$ 181,262	\$ 20,716

See notes to financial statements

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

PURPOSE OF THE ASSOCIATION AND NATURE OF OPERATIONS

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 Association is a not-for-profit organization under the Income Tax Act (Canada) and is accordingly exempt from income taxes.

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 all branches 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, accounts receivable, marketable securities, and accounts payable.

The Association initially measures all of 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 statement of revenue and expenditures 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
FOR THE YEAR ENDED AUGUST 31, 2023

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 under capital lease	30%	declining balance basis
Furniture and equipment	20%	declining balance basis
Leasehold improvements	16 years	straight-line method
Software	3 to 5 years	straight-line method

The Association's policy is to record a write-down of a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the capital asset no longer contributes to the Association's ability to provide goods and services or when the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of revenue and expenditures and 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
FOR THE YEAR ENDED AUGUST 31, 2023

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 and materials

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.

The Association records contributed materials and services at their fair value when fair value is readily determinable and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

(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 valuation of accounts receivable, the determination of the useful lives of capital assets for calculating amortization expense, the measurement of deferred revenue and the amounts recorded as accrued liabilities.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

2. FINANCIAL INSTRUMENTS RISKS

The Association is exposed to various risks through its financial instruments (Note 1 (a)) and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of August 31, 2023. In management's opinion, the Association is not exposed to significant credit, liquidity, market, currency, interest or other price risk. In addition, there has been no significant 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.

Management has determined that an allowance for doubtful accounts is not required and anticipates that the accounts receivable balance as at August 31, 2023 is fully collectable.

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 and managing its working capital.

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.

Currency risk

Currency risk arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is not exposed to foreign currency exchange risk as its operations are all conducted in Canadian dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. 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.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk through its equity investments.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer equipment	\$ 243,755	\$ 185,329	\$ 58,426	\$ 72,544
Furniture and equipment	-	-	-	7,328
Leasehold improvements	170,000	-	170,000	-
Office equipment	-	-	-	776
Software	157,081	-	157,081	3,499
	\$ 570,836	\$ 185,329	\$ 385,507	\$ 84,147

Total amortization expense pertaining to capital assets for the year was \$33,120 (2022 - \$25,406).

As at August 31, 2023, \$170,000 was paid in connection with the renovation of the new office premises as described below in Note 7. The total cost of the renovation is anticipated to be \$189,174. Renovation costs capitalized as leasehold improvements were available for use at year end and upon commencement of the lease will be amortized over the lease term of 16 years.

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. During the year, the Association made a donation of \$106,678 to the Society (2022 - \$Nil). There are no current liabilities reported by the Society with respect to financial risk to the Association.

Included in accounts payable is \$Nil (2022 - \$Nil) held on behalf of the CBA (BC) Benevolent Society.

5. DEFERRED REVENUE

Deferred revenue of \$320,927 (2022 - \$65,245) represent grants which have certain use restrictions set by donors, as well as revenue collected for future events. As at August 31, 2023, the use restrictions set by donors relate to the use of funds for the following fiscal year.

The continuity of deferred revenue received and recognized during the year is as follows:

	2023	2022
Opening balance	\$ 65,245	\$ 93,889
Received during the year	529,529	223,676
Recognized during the year	(273,847)	(252,320)
	\$ 320,927	\$ 65,245

The total balance of deferred revenue is anticipated by management to be spent within the following fiscal year.

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

In connection with the new office premises as described above in Note 3 and below in Note 7, the Association's new lease agreement includes a tenant improvement allowance to reimburse costs the Association incurs to renovate the new office space. As described in Note 3, leasehold improvement costs to August 31, 2023 of \$170,000 were capitalized, thus the tenant improvement allowance reimbursement accrued for as at August 31, 2023 was recorded in the amount of \$170,000. This contribution will be amortized to revenue on the same basis as the related capitalized leasehold improvement costs.

7. COMMITMENTS

The Association leases its office premises under a lease agreement which expires September 30, 2023. As at August 31, 2023 the Association has entered into a new sub-lease agreement for office premises which expires September 2024 and subsequently a new 15-year lease agreement effective October 1, 2024 which expires September 2039. 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 January 2024 and March 2028. The Association has also signed service agreements which expire during February 2025. Lease payments are anticipated to be as follows:

2024	\$	215,346
2025		134,002
2026		126,534
2027		130,473
2028		133,552
Thereafter		1,586,925
		<u>\$ 2,326,832</u>

8. RESERVE FUND

The Association's reserve fund is comprised of a restricted portion which is to be maintained at no less than \$1,054,801 and a long-term unrestricted portion. The interest accrued on 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 Association's board of directors. The continuity of the reserve fund is as follows:

	2023	2022
Balance at beginning of year	\$ 2,413,538	\$ 1,991,337
Reserve fund transactions:		
Investment income - marketable securities - reserve	156,007	110,244
Unrealized loss - marketable securities - reserve	(20,796)	(233,043)
Transfer (to) from Operating Fund	(892,826)	(122,799)
	<u>1,655,923</u>	<u>2,413,538</u>
Comprised as follows:		
Restricted portion	1,054,801	1,054,801
Long-term unrestricted portion	601,122	1,358,737
	<u>\$ 1,655,923</u>	<u>\$ 2,413,538</u>

THE CANADIAN BAR ASSOCIATION - BRITISH COLUMBIA BRANCH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

9. GRANTS

Total grants received or receivable during the year are as follows:

	2023	2022
Law Foundation of British Columbia	\$ 109,938	\$ 78,000
Columbia Basin Trust	8,000	25,000
Grants received and deferred or repayable	(52,749)	(12,488)
	\$ 65,189	\$ 90,512

10. ACTIVITIES EXPENDITURE

Detail on certain expenditure categories is provided below for additional information. These expenditures are included in the total activities expenditure of \$1,707,513 (2022 - \$1,748,750) for the year.

	2023	2022
Communication and BarTalk	\$ 453,615	\$ 355,418
Professional development	\$ 384,041	\$ 319,389
Sections-administration	\$ 377,532	\$ 287,914
Member Recruitment/ Retention	\$ 269,148	\$ 228,364
LLR/Advocacy	\$ 223,177	\$ 226,247