

**The Society of Notaries Public of
British Columbia
Financial Statements
For the Year Ended June 30, 2020**

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British Columbia
Financial Statements
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Independent Auditor's Report

To the Members of The Society of Notaries Public of British Columbia

We have audited the financial statements of The Society of Notaries Public of British Columbia (the "Society"), which comprise of the Statement of Financial Position as at June 30, 2020, the Statement of Operations, Statement of Changes in Fund Balances and the Statement of Cash Flows for the year then ended June 30, 2020, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Society as at June 30, 2020, and its financial performance 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year

 *BDO Canada LLP*

The logo for BDO Canada LLP, featuring a stylized 'BDO' in a blue, sans-serif font. A red vertical bar is positioned to the left of the letters, and a red horizontal bar is positioned below the letters. The text 'Canada LLP' is written in a blue, cursive font to the right of the 'BDO'.

Chartered Professional Accountants

Vancouver, British Columbia
October 1, 2020

The Society of Notaries Public of British Columbia
Statement of Financial Position

As at June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	Total 2020	Total 2019
Assets							
Current							
Cash (Note 2)	\$ 1,380,159	\$ 1,315,062	\$ 762,617	\$ 1,104,070	\$ 851,216	\$ 5,413,124	\$ 5,060,343
Receivables	231,690	-	33,407	271	8,632	274,000	282,246
Accrued interest receivable	-	-	4,373	6,785	-	11,158	11,337
Prepaid expenses	47,663	2,967	-	-	-	50,630	70,196
Short-term investments (Note 3)	-	-	985,521	2,147,734	-	3,133,255	3,010,416
Govt. remittance receivable	-	-	-	41	-	41	26,254
Due from (to) other funds	(1,161,112)	-	497,822	775,170	(111,880)	-	-
Due from The Notary Foundation of British Columbia (Note 5)	-	1,315,106	-	-	-	1,315,106	1,349,730
	498,400	2,633,135	2,283,740	4,034,071	747,968	10,197,314	9,810,522
Capital assets (Note 4)	114,213	-	-	-	-	114,213	140,053
Due from ProSuite Software Ltd. (Note 6)	864,493	-	-	-	-	864,493	1,064,493
Investment in BC Notaries Captive Insurance Co. (Note 7)	3,907,600	-	-	-	-	3,907,600	2,416,918
	\$ 5,384,706	\$ 2,633,135	\$ 2,283,740	\$ 4,034,071	\$ 747,968	\$ 15,083,620	\$ 13,431,986
Unclaimed trust funds	\$ -	\$ -	\$ -	\$ -	\$ 717,493	\$ 717,493	\$ 681,471

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

The Society of Notaries Public of British Columbia
Statement of Financial Position - Continued

As at June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	Total 2020	Total 2019
Liabilities							
Current							
Accounts payable and accrued liabilities	\$ 108,518	\$ -	\$ 21,678	\$ -	\$ 4,861	\$ 135,057	\$ 188,699
Government remittance payable	27,778	-	14,285	-	-	42,063	15,049
Dues received in advance and unearned	826,726	-	-	-	-	826,726	1,066,651
Due to BC Notaries Captive Insurance Co. (Note 7)	128,387	-	-	-	-	128,387	85,614
	1,091,409	-	35,963	-	4,861	1,132,233	1,356,013
Due to BC Notaries Association	-	-	-	-	-	-	158,687
Provision for settlement of claims	-	-	-	255,000	-	255,000	255,000
	1,091,409	-	35,963	255,000	4,861	1,387,233	1,769,700
Fund Balances							
Equity in property and equipment	114,213	-	-	-	-	114,213	140,053
Internally restricted	-	-	2,247,777	3,779,071	743,107	6,769,955	6,184,126
Externally restricted	-	2,633,135	-	-	-	2,633,135	2,360,582
Unrestricted	4,179,084	-	-	-	-	4,179,084	2,977,525
	4,293,297	2,633,135	2,247,777	3,779,071	743,107	13,696,387	11,662,286
	\$ 5,384,706	\$ 2,633,135	\$ 2,283,740	\$ 4,034,071	\$ 747,968	\$ 15,083,620	\$ 13,431,986
Unclaimed trust liability	\$ -	\$ -	\$ -	\$ -	\$ 717,493	\$ 717,493	\$ 681,471

Approved by the Board:

Original Signed by

Jessie Vaid, President, Member

Original Signed by

David Watts, Vice President, Member

The Society of Notaries Public of British Columbia
Statement of Operations

For the year ended June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	Total 2020	Total 2019
Revenue							
Admission fees	\$ 18,730	\$ -	\$ -	\$ -	\$ -	\$ 18,730	\$ 25,080
Advertising	-	-	-	-	-	-	43,027
Assessments	-	-	-	-	-	-	8,400
Authentication fees	221,223	-	-	-	-	221,223	187,707
Education members	-	-	-	-	-	-	140,850
Evaluation fees	52,350	-	-	-	-	52,350	42,705
Fidelity fees	-	-	-	-	-	-	220,280
Fines	15,300	-	-	-	-	15,300	7,300
Distribution from Foundation (Note 8)	-	1,315,531	-	-	-	1,315,531	1,350,360
Insurance dues	-	-	-	-	-	-	375,695
Investment income (Note 9)	25,192	-	61,145	93,864	7,306	187,507	411,444
Membership dues and incorporation fees	1,346,211	-	-	-	-	1,346,211	1,244,550
Member services	-	-	-	-	-	-	5,600
Miscellaneous	55,644	-	-	-	-	55,644	139,866
Trust administration	-	-	1,925,365	-	-	1,925,365	1,846,627
Tuition	101,150	-	-	-	-	101,150	126,300
	\$ 1,835,800	\$ 1,315,531	\$ 1,986,510	\$ 93,864	\$ 7,306	\$ 5,239,011	\$ 6,175,791

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

The Society of Notaries Public of British Columbia
Statement of Operations - Continued

For the year ended June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	Total 2020	Total 2019
Expenses							
Admission and new notaries	\$ 14,500	\$ -	\$ -	\$ -	\$ -	\$ 14,500	\$ 21,328
Advertising and public relations	20,184	-	-	-	-	20,184	244,141
Audit and accounting	57,360	12,600	-	-	-	69,960	51,292
Bank charges and interest	96,168	-	1,462	985	95	98,710	70,044
Conference	23,828	-	-	-	-	23,828	104,763
Committee meetings	26,966	5,319	-	-	-	32,285	44,087
Consulting	-	16,488	-	-	-	16,488	27,783
Custodial	9,172	-	-	-	-	9,172	43,005
Depreciation	41,982	-	-	-	-	41,982	63,890
Director's meetings	59,884	10,248	-	-	-	70,132	67,916
Education	-	17,939	-	-	-	17,939	137,202
Fees and commissions	-	-	4,436	9,693	-	14,129	25,386
Government relations	-	-	-	-	-	-	24,393
Insurance	27,059	9,090	-	-	-	36,149	459,578
Legal fees	133,504	11,681	-	-	-	145,185	426,039
Member audits	337,880	-	-	-	-	337,880	347,906
Miscellaneous	9,762	42,509	-	-	-	52,271	85,426
Office supplies and service	337,767	8,202	-	-	-	345,969	365,380
Postage and courier	12,532	-	-	-	-	12,532	14,414
Practice inspection and assistance	-	87,353	17,700	-	-	105,053	152,257
Rent and utilities	267,506	13,140	-	-	-	280,646	254,215
Strategic plan and implementation	25,615	38,428	-	-	-	64,043	750
Telephone and facsimile	14,762	-	-	-	-	14,762	20,916
Travel	22,889	-	-	-	-	22,889	35,485
Tuition	49,335	297,230	-	-	-	346,565	104,518
Wages and benefits	934,456	114,835	-	-	-	1,049,291	1,102,701
	\$ 2,523,111	\$ 685,062	\$ 23,598	\$ 10,678	\$ 95	\$ 3,242,544	\$ 4,294,815

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

The Society of Notaries Public of British Columbia
Statement of Operations - Continued

For the year ended June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	Total 2020	Total 2019
Total revenue	\$ 1,835,800	\$ 1,315,531	\$ 1,986,510	\$ 93,864	\$ 7,306	\$ 5,239,011	\$ 6,175,791
Total expenses	\$ 2,523,111	\$ 685,062	\$ 23,598	\$ 10,678	\$ 95	\$ 3,242,544	\$ 4,294,815
Excess of revenue over expenses before other items	(687,311)	630,469	1,962,912	83,186	7,211	1,996,467	1,880,976
Other items							
Transfer to BC Notaries Association	(653,048)	-	-	-	-	(653,048)	(560,000)
Transfer to the Notary Foundation of British Columbia	-	(800,000)	-	-	-	(800,000)	-
Settlement of claims	-	-	-	-	-	-	(255,000)
Gain (loss) on settlement of claims	-	-	-	-	-	-	(35,853)
Equity in income (loss) of controlled entity (Note 7)	1,490,682	-	-	-	-	1,490,682	(497,051)
Excess (deficiency) of revenue over expenses	\$ 150,323	\$ (169,531)	\$ 1,962,912	\$ 83,186	\$ 7,211	\$ 2,034,101	\$ 533,072

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

The Society of of Notaries Public of British Columbia
Statement of Changes in Fund Balance

For the year ended June 30	General Fund	Society Reserve Fund	Trust Administration Fund	Special Fund	Contingency Fund	2020 Total	2019 Total
Fund balance, beginning of the year	\$ 3,117,578	\$ 2,360,582	\$ 1,752,345	\$ 3,695,885	\$ 735,896	11,662,286	\$ 16,143,714
Excess of revenues over expenses	150,323	(169,531)	1,962,912	83,186	7,211	2,034,101	533,072
Adjustment on conversion of insurance fund to regulated captive insurance company (Note 7)	-	-	-	-	-	-	(5,014,500)
Interfund transfers	1,025,396	442,084	(1,467,480)	-	-	-	-
Fund balance, end of the year	\$ 4,293,297	\$ 2,633,135	\$ 2,247,777	\$ 3,779,071	\$ 743,107	13,696,387	\$11,662,286

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

The Society of Notaries Public of British Columbia
Statement of Cash Flows

For the year ended June 30	2020	2019
Cash provided by (used in)		
Operating Activities		
Excess of revenue over expenses	\$ 2,034,101	\$ 533,072
Items not involving cash		
Unrealized loss in fair value of investments	27,690	240,402
Realized loss (gain) on sale of investments	27,170	(87,633)
Depreciation of capital assets	41,982	63,890
Gain on settlement of claims	-	(35,853)
Provision for contingent liability	-	255,000
Equity in loss (income) of controlled entity	(1,490,682)	497,051
	640,261	1,465,929
Changes in non-cash capital balances		
Accounts receivable	8,246	42,148
Accrued interest receivable	179	38,201
Prepaid expenses	19,566	394,081
Accounts payable and accrued liabilities and government remittance	(415)	(63,012)
Dues received in advance and unearned	(239,925)	(470,992)
Advances to The Notary Foundation of British Columbia	34,624	(291,376)
Advances from BC Notaries Captive Insurance Co.	42,773	-
Repayment to BC Notaries Association	(158,687)	-
	346,622	1,114,979
Investing activities		
Purchase of capital assets	(16,142)	(43,416)
Investment in subsidiary	-	(10,923,969)
Sale of investments	(177,699)	8,588,866
Repayment from Prosuite Software Ltd.	200,000	675,829
	6,159	(1,702,690)
Increase (decrease) in cash during the year	352,781	(587,711)
Cash, beginning of the year	5,060,343	5,648,054
Cash, end of the year	\$ 5,413,124	\$ 5,060,343

The Society of Notaries Public of British Columbia

Notes to Financial Statements

June 30, 2020

1. Significant Accounting Policies

a) Purpose

The Society of Notaries Public of British Columbia (the "Society") is incorporated under the Societies Act of British Columbia and its purpose is to ensure that its Members provide the highest standard of notarial services to the public.

The Society is a tax-exempt body under Section 149 of the Income Tax Act.

b) Basis of Accounting

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

c) Revenue Recognition

The Society records revenue from membership dues and incorporation fees, advertising and member services when services are provided and revenue is earned. Amounts received that relate to services to be provided in future years are deferred and subsequently recognized as revenue in the year that the related services are provided.

Admission fees, assessments, authentication fees, and evaluation fees are recognized as revenue in the year when services are provided.

Investment income includes gains or losses on sale of investments carried at amortized cost, as well as interest and dividend income. Investment income also includes changes in the fair value of the investments carried at fair value and is recorded in net income at the end of each reporting period.

Trust administration fees are recognized when earned.

Grant revenues received as distributions from the Foundation are recognized when the grant is approved and receivable (Note 5).

Gain on settlement of claims is recorded as the provision for settlement of the claim and any adjustments for cash payout to claimant or recovery from the Member is determined. The gain on settlement of claims is recognized in the period of settlement.

Fines are recognized when their collection is assured and all of the Society's internal processes and any known external appeals are complete.

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

1. Significant Accounting Policies - Continued

d) Fund Accounting

Revenue, including contributions, is recognized in the following funds based on the origin of the revenue:

General Fund - used in the administrative, executive and communication operations of the Society.

Society Reserve Fund - used for salaries and administrative expenses of the Notary Foundation of British Columbia, and for education and continuing education for notaries, applicants for enrolment as notaries, students and candidates as described in the Notaries Act of British Columbia.

Trust Administration Fund - used in the administration of various trust administration programs including audits, education, practice inspections, practice assistance and custodianships.

Special Fund - created by statute and used for protecting the public's funds that are held in trust by the members.

Contingency Fund - used for future designated contingencies of the membership.

e) Financial Instruments

Financial Instruments are recorded at fair value when acquired or issued. In subsequent periods, equities and bonds traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets recorded at cost or amortized cost are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each reporting date and capitalized to the financial instrument for those measured at amortized cost.

The Society of Notaries Public of British Columbia

Notes to Financial Statements

June 30, 2020

1. Significant Accounting Policies - Continued

f) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Charges are calculated using the following annual rates and method:

Computer equipment and software	- 20% - 100% - declining-balance method
Office furniture and equipment	- 20% - declining-balance method
Leasehold improvements	- term of the lease 20 - straight-line method

Assets that no longer contribute to the service provision of the Society are written down to their residual value.

g) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates made by management include, but are not limited to, valuation of receivables, provision for settlement of claims within all funds and estimated useful lives of capital assets.

h) Controlled Entities

The Society does not consolidate the balances or results of operations of its controlled profit-oriented subsidiaries, ProSuite Software Ltd. ("ProSuite") and the BC Notaries Captive Insurance Co. (the "Captive"), in these financial statements. The controlled subsidiaries are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the change in the Society's share of the subsidiary's profit or loss. Inter-entity balances are not eliminated. ProSuite uses Canadian accounting standards for private enterprises ("ASPE") to prepare its financial statements (Note 6) while the Captive uses International Financial Reporting Standards (Note 7). There were no accounting policies requiring adjustment to conform to ASPE.

2. Cash

The Society's cash is held in one Canadian chartered bank and earns interest at the current prevailing rates for operating and savings accounts.

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

3. Short Term Investments

Short-term investments are comprised of:

	2020	2019
Canadian equities	\$ 601,980	\$ 609,773
Foreign equities	614,567	470,788
Corporate bonds	730,341	609,007
Government bonds	1,186,367	1,320,848
	\$ 3,133,255	\$ 3,010,416

Due to the benefits of utilizing a consolidated investment facility, the short-term investments reflect investment transactions on behalf of the various funds.

The Society's short-term investments are held through one Canadian investment management company. Foreign currency denominated investments are translated to Canadian dollars at the exchange rate in effect at the reporting date.

Equities are classified as short-term investments as they consist of shares of highly liquid listed entities.

The corporate bonds bear interest at rates ranging from 1.68% to 4.93% (2019 - 2.33% to 4.93%) per annum and mature between January 11, 2021 and March 6, 2030. The government bonds bear interest at rates ranging from 2.55% to 6.40% (2019 - 2.40% to 6.40%) per annum and mature between July 15, 2020 and December 1, 2064.

It is the intention of the Society to reinvest the funds upon maturity as described by the Society's investment policies.

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

4. Capital Assets

			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	\$ 580,107	\$ 522,747	\$ 57,360	\$ 71,223
Office furniture and equipment	198,450	159,980	38,470	48,087
Leasehold improvements	97,893	79,510	18,383	20,743
	\$ 876,450	\$ 762,237	\$ 114,213	\$ 140,053

5. Due from The Notary Foundation of British Columbia

The Notary Foundation of British Columbia (the "Foundation"), an organization with common directors and governors, provides grants to other British Columbia organizations for legal research, education and law libraries. This non-profit organization receives interest earned on the general trust funds held by members of the Society and are disbursed as follows:

- 55% to be paid to the Legal Services Society of British Columbia.
- 10% of the remaining net income to be used for legal education, legal research and the establishing, operating and maintaining law libraries in the Province of British Columbia.
- 35% of the remaining net income to be used for education and continuing education of notaries, notarial applicants and salary and administrative expenses of the Foundation.

Due from The Notary Foundation of British Columbia is \$1,315,106 (2019 - \$1,349,730) which is the balance of the grant owing from the current year.

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

6. Investment in and Amount Due From ProSuite

The investment in ProSuite is recorded at a nominal amount as the balance is currently in a negative position. No amount will be recorded until such time as the retained earnings of ProSuite are positive.

The amount due from ProSuite bears no interest, is unsecured and is due under normal trade terms as it arises through ongoing business activity.

The following summarizes the financial position and operating results for ProSuite as at June 30:

	2020	2019
Financial Position		
Total assets	\$ 307,885	\$ 490,313
Total liabilities	702,179	1,144,204
Deficit	\$ (394,294)	\$ (653,891)
Results of Operations		
Revenue	\$ 577,329	\$ 521,916
Expenses, taxes and other items	(317,730)	(359,124)
Net income for the year	\$ 259,599	\$ 162,792
	2020	2019
Cash flows		
Operating	\$ 222,370	\$ 185,081
Investing	-	(17,357)
Financing	(400,000)	(400,000)
Decrease in cash	\$ (177,630)	\$ (232,276)

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

6. Investment in and Amount Due From ProSuite - Continued

**Statement of Changes in Deficit
For the Year Ended June 30**

	2020	2019
Opening balance	\$ (653,891)	\$ (816,683)
Net Income for the year	259,599	162,792
Closing balance	\$ (394,292)	\$ (653,891)

The share of accumulated losses recognized by the Society is limited to the initial investment.

7. Investment in and Amount Due from BC Notary Captive Insurance Co.

During the fiscal year 2019, the BC Notaries Captive Insurance Co. commenced operations to carry out insurance operations previously undertaken by the Society. Insurance activities continued in the Society from July 1, 2018 to October 31, 2018. The Captive commenced operations on November 1, 2018 and all subsequent insurance activities were conducted and accounted for in the Captive. Assets and liabilities were transferred to the Captive with the net amount being the Society's initial equity investment in the Captive.

The investment in the Captive is comprised of the equity investment, as adjusted by operating results subsequent to November 1, 2018.

The current amount due to/from the Captive bears no interest, is unsecured and is due under normal trade terms as it arises through ongoing business activity.

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

7. Investment in and Amount Due from BC Notary Captive Insurance Co. - Continued

The following summarizes the financial position and operating results for the Captive:

	<u>As at June 30, 2020</u>	<u>As at June 30, 2019</u>
		(Restated - note 7(a))
Financial Position		
Total assets	\$ 11,175,898	\$ 11,148,556
Total liabilities	<u>7,268,298</u>	<u>8,731,638</u>
Shareholder's equity	<u>\$ 3,907,600</u>	<u>\$ 2,416,918</u>
	<u>Year Ended June 30, 2020</u>	<u>Period from Nov 1, 2018 to June 30, 2019</u>
Results of Operations		
Revenue from premiums and investments	\$ 1,244,393	\$ 1,343,747
Expenses, taxes and other items, net of recoveries	246,289	(1,840,798)
Net income (loss) for the year	<u>\$ 1,490,682</u>	<u>\$ (497,051)</u>
	<u>Year Ended June 30, 2020</u>	<u>Period from Nov 1, 2018 to June 30, 2019</u>
Cash flows		
Operating		\$ (183,362)
Investing	762,939	399,165
Increase (decrease) in cash	<u>\$ 579,577</u>	<u>\$ 87,827</u>
Statement of Changes in Shareholder's Equity		
	<u>Year Ended June 30, 2020</u>	<u>Period from Nov 1, 2018 to June 30, 2019</u>
Opening balance	\$ 2,416,918	\$ 2,913,969
Profit/(Loss) for the year	1,490,682	(497,051)
Closing balance	<u>\$ 3,907,600</u>	<u>\$ 2,416,918</u>

- (a) The results of the prior year of the BC Notaries Captive Insurance Company Inc. have been recast to reflect the correction of certain tax treatments for claims liability and unrealized gains on investments.

The Society of Notaries Public of British Columbia

Notes to Financial Statements

June 30, 2020

8. Related Party Transactions

i) Notary Foundation of British Columbia

During the year, the Society received a grant in the amount of \$1,315,531 (2019 - \$1,349,730) from the Foundation which was used by the Society to fund the cost of the Foundation's administration, as well as education and continuing education initiatives. These activities are carried on by the Society on behalf of the Foundation, in order that the Foundation meets its Education and Continuing Education obligations pursuant to its articles of incorporation under the Notaries Act. The amount is determined as a % of the total revenue of the Foundation.

ii) ProSuite Software Ltd.

In the current year, the Society received rental payments of \$Nil (2019 - \$30,000) for occupation cost recoveries. These transactions are in the normal course of operations and are measured at the exchange amounts established and agreed to by the parties.

iii) BC Notaries Association

Upon commencing operations on January 1, 2019, the BC Notaries Association ("BCNA") assumed responsibility for certain advocacy, promotion and education activities which had previously been performed by the Society. The Society incurred \$812,548 (2019 - \$575,756) in expenses with BCNA related to these activities. In addition to these expenses, the Society contributed certain materials and services to BCNA with no expectation of payment.

9. Investment Income

	<u>2020</u>		<u>2019</u>
Interest and dividend income	\$ 159,817	\$	171,042
Net current period market value change	27,690		240,402
	<u>\$ 187,507</u>	\$	<u>411,444</u>

The Society of Notaries Public of British Columbia
Notes to Financial Statements

June 30, 2020

10. Lease and Other Commitments

i) Lease and other

The Society has entered into various operating leases for premises and equipment and other commitments.

The minimum annual payments, excluding sales tax, for years ending June 30 are as follows:

2021	\$	1,027,039
2022		984,846
2023		947,906
2024		951,951
2025		948,970
		<hr/>
		<u>\$ 4,860,712</u>

ii) Chair of Applied Legal Studies

In January 2017, the Society Board resolved to provide funding, from ProSuite operating returns, to Simon Fraser University (SFU) for the Chair of Applied Legal Studies in the amount of \$145,000 per year for three years. A payment in the amount of \$180,000 was made by ProSuite to SFU in fiscal 2017. No further payments were made as SFU was unable to fill the Chair position. A written agreement with no specific dollar amount stated was executed between the Society and SFU in Fiscal 2019 to provide the funding for five years including the payment previously made. SFU filled the chair position subsequent to June 30, 2019. The next payment of \$180,000 will be made in September 2020.

11. Financial Instrument Risks

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

The Society of Notaries Public of British Columbia Notes to Financial Statements

June 30, 2020

11. Financial Instrument Risks - Continued

(a) Credit and Market Risk

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

(b) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is minimally exposed to foreign exchange risk as 80.23% (2019 - 84.31%) of all financial instruments are denominated in Canadian dollars. A 10% increase in USD/CAD would result in a gain due to foreign exchange of \$61,942, while a 10% decrease in USD/CAD would result in a loss due to foreign exchange \$61,942.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash and investments are as disclosed in Notes 2 and 3. The Society is subject to fair value risk on investments in bonds earning fixed rates of interest.

(c) Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its obligations as they fall due. The Society maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

12. Significant Event

The effects of the COVID-19 pandemic significantly affected the Canadian economy starting in March 2020 and the economic recovery is ongoing. Management continues to monitor the effect on its financial condition, liquidity and operations. There is significant uncertainty around the magnitude and timing of the economic recovery, with possible outcomes including negative impacts on the Society's investments, members and revenue. The full impact of the pandemic on the Society is not known at this time.