

MANITOBA VETERINARY MEDICAL ASSOCIATION

Financial Statements

Year Ended June 30, 2013

(Unaudited)

REVIEW ENGAGEMENT REPORT

To the Members of Manitoba Veterinary Medical Association

We have reviewed the statement of financial position of Manitoba Veterinary Medical Association as at June 30, 2013 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Association.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

We draw attention to Note 1 to the financial statements which describes that Manitoba Veterinary Medical Association adopted Canadian Accounting Standards for Not-for-Profit Organizations on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at June 30, 2012 and July 1, 2011 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

Winnipeg, Manitoba
November 4, 2013

Chartered Accountants Inc.

MANITOBA VETERINARY MEDICAL ASSOCIATION

Statement of Financial Position

June 30, 2013

(Unaudited)

	<i>June 30</i> 2013	<i>June 30</i> 2012	<i>July 1</i> 2011
ASSETS			
CURRENT			
Cash (Note 4)	\$ 296,251	\$ 622,105	\$ 611,101
Accounts receivable	6,099	11,888	9,855
Inventory	1,989	5,157	4,038
Interest receivable	-	-	6,771
Government remittances refundable (Note 5)	2,817	2,776	107
Prepays and deposits	11,486	13,659	5,958
	318,642	655,585	637,830
FIXED ASSETS (Note 6)	55,732	11,742	14,709
LONG TERM INVESTMENTS (Note 7)	318,926	-	-
DEFERRED LEASEHOLD IMPROVEMENT COSTS	-	10,442	-
	\$ 693,300	\$ 677,769	\$ 652,539
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities	\$ 9,563	\$ 14,592	\$ 16,649
Deferred income - membership dues	159,709	156,257	149,730
	169,272	170,849	166,379
DEFERRED CONTRIBUTIONS - MAAS (Note 8)	2,196	6,587	10,978
	171,468	177,436	177,357
NET ASSETS			
Unrestricted fund	296,721	350,195	325,492
Invested in fixed assets	53,536	5,156	3,731
Internally restricted fund (Note 15)	171,575	144,982	145,959
	521,832	500,333	475,182
	\$ 693,300	\$ 677,769	\$ 652,539

APPROVED BY THE COUNCIL

MANITOBA VETERINARY MEDICAL ASSOCIATION**Statement of Revenues and Expenditures****Year Ended June 30, 2013***(Unaudited)*

	2013	2012
REVENUES		
Advertising revenues	\$ 11,053	\$ 15,494
Allowance - CVMA insurance program	5,555	4,687
Amortization - deferred contributions	4,391	4,391
Association membership dues	313,129	300,621
Association membership dues - legal	18,100	21,907
Bank interest	7,571	10,864
Clinic inspections	15,410	9,750
Commissions - CVMA	1,986	1,938
Consulting fees	1,217	1,520
Directory advertising	949	3,121
Dispensing bags and prescription forms	3,815	3,785
Exam revenue	2,625	2,800
Fees - specialty clinics	1,255	2,140
Other	1,312	1,101
Winter conference and continuing education	132,457	75,577
	520,825	459,696
EXPENSES (Schedule 1)	490,499	434,545
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	30,326	25,151
OTHER INCOME (EXPENSES)		
Loss on disposal of assets	(1,452)	-
Unrealized loss on long term investments	(7,375)	-
	(8,827)	-
EXCESS OF REVENUES OVER EXPENSES	\$ 21,499	\$ 25,151

MANITOBA VETERINARY MEDICAL ASSOCIATION

Statement of Changes in Net Assets

Year Ended June 30, 2013

(Unaudited)

	Unrestricted Fund	Invested in Fixed Assets	Internally Restricted Fund	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 350,195	\$ 5,156	\$ 144,982	\$ 500,333	\$ 475,182
Excess of revenues over expenses	21,499	-	-	21,499	25,151
Equipment additions - onsite	(61,777)	61,777	-	-	-
Amortization - onsite fixed assets and leaseholds	10,625	(10,625)	-	-	-
Amortization - offsite fixed assets	4,391	(4,391)	-	-	-
Amortization - deferred MAAS contributions	(4,391)	4,391	-	-	-
Interfund transfer	(23,821)	(2,772)	26,593	-	-
NET ASSETS - END OF YEAR	\$ 296,721	\$ 53,536	\$ 171,575	\$ 521,832	\$ 500,333

MANITOBA VETERINARY MEDICAL ASSOCIATION

Statement of Cash Flows

Year Ended June 30, 2013

(Unaudited)

	2013	2012
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 21,499	\$ 25,151
Items not affecting cash:		
Amortization of fixed assets	10,625	1,417
Amortization - offsite equipment	4,391	4,391
Amortization - deferred contributions	(4,391)	(4,391)
Loss on disposal of assets	1,452	-
Unrealized loss on long term investments	7,375	-
	40,951	26,568
Changes in non-cash working capital:		
Accounts receivable	5,789	(2,033)
Interest receivable	-	6,771
Inventory	3,168	(1,119)
Accounts payable and accrued liabilities	(5,027)	(2,109)
Deferred income - membership dues	3,452	6,527
Prepays and deposits	2,173	(7,701)
Government remittances refundable	(41)	(2,616)
	9,514	(2,280)
Cash flow from operating activities	50,465	24,288
INVESTING ACTIVITIES		
Purchase of fixed assets	(61,777)	(2,842)
Proceeds on disposal of fixed assets	1,317	-
Long term Investments	(326,301)	-
Deferred leasehold improvement costs	10,442	(10,442)
Cash flow used by investing activities	(376,319)	(13,284)
INCREASE (DECREASE) IN CASH FLOW	(325,854)	11,004
CASH - BEGINNING OF YEAR	622,105	611,101
CASH - END OF YEAR	\$ 296,251	\$ 622,105

MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

1. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Association adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPFO). These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, resulting in no changes to beginning equity and restatement of certain assets and liabilities.

2. DESCRIPTION OF ASSOCIATION

The mission of the Manitoba Veterinary Medical Association (M.V.M.A.) is to establish the requirements for licensure of veterinarians and the standards for professional conduct and competency; to be a forum for the discussion of pertinent issues and be the authorized voice for the profession in Manitoba; to preserve the health and viability of the profession; to encourage professional excellence through continuing education and support; and to promote the importance of the role of veterinarians in animal welfare to better serve the needs and interests of the people of Manitoba.

The Association is a non-share, not-for-profit corporation established in the Manitoba jurisdiction and exempt from tax under paragraph 149(1)(1) of the Income Tax Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The financial statements include the following significant accounting policies:

Fund Accounting

The Association uses the deferral method of accounting for contributions whereby restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred or in which the related event occurs. Deferred contributions pertaining to the purchase of fixed assets are amortized using the same methods and rates as the fixed assets acquired. The Association maintains three funds as follows:

Unrestricted Net Assets

The unrestricted net assets are comprised of the net unrestricted revenues and expenses.

Invested in Fixed Assets

The invested in fixed assets are comprised of the net revenues and expenses specifically relating to investments in fixed assets.

Internally restricted - legal fund

The internally restricted - legal fund is comprised of the net revenues and expenses specifically relating to the financing of legal expenses.

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MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

No amount has been reflected in the statements for contributed services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have contributed significant amounts of their time in the Association's activities.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis and consists of finished goods.

Long Term Investments

Long term investments for which there are quoted prices in an active market, are carried at fair value. Unrealized gains or losses are reported as part of net income.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Fixed assets

Fixed assets are stated at cost. Fixed assets with finite lives are amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known. The Association provides for amortization on fixed assets so as to write off the cost of the assets over their estimated useful lives as follows:

Laboratory equipment - offsite	4 years	straight-line method
Computer equipment	33%-45%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	10 years	straight-line method
Signage	20%	declining balance method

Fixed assets acquired during the year are not amortized until they are placed into use.

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MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

The Association recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided to members; association dues, invoiced to members on a calendar year basis, are reported as income for the period to which they pertain,
- there is clear evidence that an arrangement exists,
- amounts are fixed or can be determined, and
- the ability to collect is reasonably assured.

4. CASH

Cash is comprised of bank balances in both chequing and savings accounts. Bank balances generate interest at rates of 1.85% and 1.95%.

Cash includes a restricted fund of \$171,575 (\$144,982 in 2012) for purposes of legal expenses that may be incurred by the Association for disciplinary and unusual cases.

The Association holds substantially all of its cash balance with one financial institution. The cash balance is in excess of the Canadian Deposit Insurance Corporation amount of \$100,000 increasing a cash concentration risk with a risk of loss.

5. GOVERNMENT REMITTANCES OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were receivable at year end:

	2013	2012
GST refundable	\$ (2,817)	\$ (2,776)

MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

6. FIXED ASSETS

	Cost	Accumulated amortization	2013 Net book value
Laboratory equipment - offsite	\$ 795,992	\$ 793,797	\$ 2,195
Computer equipment	27,149	26,428	721
Furniture and fixtures	29,802	5,109	24,693
Leasehold improvements	34,093	6,819	27,274
Signage	3,806	2,957	849
	\$ 890,842	\$ 835,110	\$ 55,732

	Cost	Accumulated amortization	2012 Net book value
Laboratory equipment - offsite	\$ 795,992	\$ 789,405	\$ 6,587
Computer equipment	27,149	25,547	1,602
Furniture and fixtures	49,726	46,388	3,338
Leasehold improvements	55,860	55,860	-
Signage	3,053	2,838	215
	\$ 931,780	\$ 920,038	\$ 11,742

7. LONG TERM INVESTMENTS

Long term investments consist of mutual funds with a cost of \$326,301 and a market value of \$318,926.

8. DEFERRED CONTRIBUTIONS - MAAS

Deferred contributions include the unamortized portions of restricted contributions. The funding was recorded as a deferred contribution and is being amortized at the same rate as the related laboratory equipment, accumulated amortization is \$793,797 (2012 - \$789,405) and original cost including current year contributions is \$795,992 (2012 - \$795,992).

	2013	2012
Balance, beginning of year	\$ 6,587	\$ 10,978
Less: amortization recorded during the year	(4,391)	(4,391)
Balance, end of the year	\$ 2,196	\$ 6,587

MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

9. CVMA Membership Dues

The MVMA provides collection services to the Canadian Veterinary Medical Association. Professional dues collected for and remitted to the CVMA totaled \$97,929 (2012 - \$95,550). These "custodial" transactions are excluded from presentation on the "Statement of Operations". The Association receives a 2% (2012 - 2%) collection fee for this service from its national association, \$1,986 (2012 - \$1,938).

10. FINANCIAL INSTRUMENTS

Financial instruments include cash, accounts receivable, interest receivable, long term investments and accounts payable and accrued liabilities. It is management's opinion that the Association is not exposed to significant interest, currency or commodity risks arising from the financial instruments noted. Unless otherwise stated, the fair values of these financial instruments approximate their carrying values.

11. LEASE COMMITMENTS

The Association has entered into a new office space lease from Midwest Veterinary Purchasing Cooperative Ltd. over a 10-year term commencing July 1, 2012 and terminates July 31, 2022. Rent, during the next four years, is fixed at \$34,792 per annum and at \$37,000 for the last 5 years. In addition, common area costs, property taxes and administration fees are due per annum.

The estimated cash commitment (GST excluded) over the new lease term is as follows:

2014	\$ 34,792
2015	34,792
2016	34,792
2017	34,792
	<u>34,792</u>
	<u>\$ 139,168</u>

The Association has a long term lease with respect to its printer. Future minimum lease payments as at year end are as follows:

2014	\$ 3,279
2015	3,279
	<u>3,279</u>
	<u>\$ 6,558</u>

12. OTHER MATTERS

Offsite fixed assets, acquired under the MVMA/MAAS agreement, are being leased by the Association to the Veterinary Services Branch of the Government of Manitoba, as represented by the Minister of Agriculture, Food and Rural Initiatives. According to the lease agreement, the fixed assets will be leased without charge. This arrangement is conditional upon the understanding that Association members will have indirect access to use of the fixed assets. The fixed assets lessee is responsible for insuring and maintaining the fixed assets and staffing its use.

MANITOBA VETERINARY MEDICAL ASSOCIATION

Notes to Financial Statements

Year Ended June 30, 2013

(Unaudited)

13. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

14. DUE FROM (TO) UNRESTRICTED FUND

The transfers from the unrestricted fund to the legal fund is comprised of the following transactions:

	2013	2012
Funds received from Dr. Bailey	\$ -	\$ 3,762
Funds transferred	25,000	(2,785)
Interest and bank charges	-	(11)
Interest income	1,593	3,580
Legal fee expenses	-	(33,311)
Membership fee income	-	18,070
	\$ 26,593	\$ (10,695)

15. INTERNALLY RESTRICTED - LEGAL FUND

In 1997, the Manitoba Government indicated that it wished to transfer responsibilities of the Veterinary Medical Board to the Manitoba Veterinary Medical Association. The Board oversaw the annual registration of veterinarians, the inspection of clinics, conducted investigations into complaints against veterinarians and conducted discipline hearings. The Government introduced legislation that transferred the Board's functions to the MVMA. The result was the creation of the Peer Review Committee and an unrestricted contribution of \$90,000 from the Government to the MVMA. The contributions to the fund were \$26,593 (2012 - \$19,047) which was comprised of membership fees nil (2012 - \$18,070), and amounts allocated to (from) the unrestricted fund \$25,000 (2012 - \$2,785) and interest income \$1,593 (3580). The contributions were segregated in an account separate from the operating bank account.

A motion was passed, that the fund will be grown to a maximum of \$250,000 through member dues (transactions are detailed in Note 14).

MANITOBA VETERINARY MEDICAL ASSOCIATION**Expenses***(Schedule 1)***Year Ended June 30, 2013***(Unaudited)*

	2013	2012
Accounting fees	\$ 6,468	\$ 4,571
Advertising and promotion	3,094	3,556
Bad debts	884	30
Clinic inspections	13,995	5,129
Cost of sales - dispensing bags, prescription form	4,814	2,417
Council and committee	9,561	8,149
Credit card charges	11,655	10,270
Amortization - equipment	3,806	1,417
Amortization - leasehold improvements	6,819	-
Amortization - offsite equipment	4,391	4,391
Equipment rentals	5,923	5,244
Insurance	2,604	3,485
Interest and bank charges	1,542	1,190
Internet and website costs	2,752	2,047
Legal fees	6,063	43,880
Meetings - mandatory and AGM	19,400	14,048
Miscellaneous	1,813	602
Moving expenses	2,790	-
Newsletter	10,935	9,938
Office and software	12,152	5,759
Other HR expenses	3,935	2,734
Postage and courier	6,169	6,657
Rent and expense sharing	35,519	36,315
Repair and maintenance	5,602	4,303
Salaries and wages	203,614	196,140
Scholarships	3,150	3,150
Staff training	2,780	1,451
Telephone	4,667	4,755
Utilities	537	3,531
Western College of Veterinary Medicine support	2,311	1,652
Western presidents meeting	1,937	-
Winter conference expenses	88,817	47,734
	\$ 490,499	\$ 434,545