

## ***Management's Responsibility for Financial Reporting***

Management is responsible for the integrity and fair presentation of the financial statements and other financial information included in this annual report. Management has prepared the financial statements in accordance with Canadian public sector accounting standards (PSAS).

We oversaw the design of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with PSAS. We also directed the evaluation of the effectiveness of these internal controls and we are not aware of any material weakness in these controls.

We believe that the financial statements and other financial information in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the British Columbia Securities Commission (BCSC) as of the dates and for the periods presented. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. We do not believe it is likely that any differences will be material.

The Board is responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent Audit Committee to oversee the financial reporting process. The Audit Committee meets regularly throughout the year with management, the internal auditors and the external auditors to review the financial statements, adequacy of internal controls relating to financial reporting, and internal and external audit functions. The external auditor has full and open access to the Audit Committee, with and without the presence of management.

BDO Canada LLP (BDO), the BCSC's independent auditor has examined the financial statements and its report follows.

Brenda M. Leong  
*Chair and Chief Executive Officer*

Peter J. Brady  
*Executive Director*



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## INDEPENDENT AUDITOR'S REPORT

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### To the Commissioners of the British Columbia Securities Commission

We have audited the accompanying financial statements of the British Columbia Securities Commission, which comprise the Statement of Financial Position as at March 31, 2017, and the Statements of Operations and Change in Accumulated Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the British Columbia Securities Commission as at March 31, 2017 and its results of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 4, 2017



**British Columbia Securities Commission**

**Financial Statements  
For the Year Ended March 31, 2017**

**British Columbia Securities Commission**  
**Statement of Financial Position**  
**As at March 31, 2017**

	Notes	<u>March 31 2017</u>	<u>March 31 2016</u>
<b>Financial assets</b>			
Cash	4	\$ 10,070,585	\$ 29,379,432
Restricted cash - 161(1)(g) payments	5	332,046	151,781
Investments	6	51,043,118	30,365,341
Amounts receivable	7	1,632,891	1,067,682
		<u>\$ 63,078,640</u>	<u>\$ 60,964,236</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 1,679,060	\$ 1,831,268
Accrued salaries and benefits		1,917,923	1,105,136
Deferred registration fee revenue		8,276,172	8,031,547
Employee leave liability	9	1,040,599	998,994
161(1)(g) liabilities	5	332,046	151,781
		<u>\$ 13,245,800</u>	<u>\$ 12,118,726</u>
<b>Net financial assets</b>			
		<u>\$ 49,832,840</u>	<u>\$ 48,845,510</u>
<b>Accumulated Surplus</b>			
Accumulated Surplus is comprised of:			
Tangible capital assets	10	\$ 11,423,021	\$ 10,063,752
Prepaid expenses	11	881,036	968,090
		<u>\$ 12,304,057</u>	<u>\$ 11,031,842</u>
		<u>\$ 62,136,897</u>	<u>\$ 59,877,352</u>
Accumulated Surplus is comprised of:			
Unrestricted operating surplus	12	\$ 24,729,701	\$ 25,401,883
Restricted operating surplus	12	37,933,152	34,963,992
		<u>62,662,853</u>	<u>60,365,875</u>
Accumulated remeasurement losses		(525,956)	(488,523)
		<u>\$ 62,136,897</u>	<u>\$ 59,877,352</u>

Commitments and contingencies (note 19)

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

**British Columbia Securities Commission**  
**Statement of Operations and Change in Accumulated Surplus**  
**For the Year Ended March 31, 2017**

		<b>Year Ended March 31</b>		
	<u>Notes</u>	<u>2017 Budget (note 20)</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
<b>Revenues</b>				
Regulatory and other fees				
Prospectus and other distributions		\$ 21,900,000	\$ 23,867,429	\$ 23,693,491
Registration		11,800,000	11,891,660	11,633,154
Financial filings		4,500,000	4,605,436	4,898,652
Exemptive orders and other		350,000	373,489	369,541
National systems access and usage fees	13	6,250,000	6,247,627	6,230,310
Enforcement sanctions	14	600,000	952,089	199,472
Investment income	15	700,000	799,073	1,039,678
Realized gains on investments	15	-	145,320	368,229
		<u>\$ 46,100,000</u>	<u>\$ 48,882,123</u>	<u>\$ 48,432,527</u>
<b>Expenses</b>				
Local operations	16	\$ 43,900,000	\$ 42,703,003	\$ 42,477,950
National systems operations	16	4,400,000	3,882,142	4,041,881
		<u>\$ 48,300,000</u>	<u>\$ 46,585,145</u>	<u>\$ 46,519,831</u>
<b>Annual surplus (deficit)</b>		<u>\$ (2,200,000)</u>	<u>\$ 2,296,978</u>	<u>\$ 1,912,696</u>
<b>Accumulated operating surplus, beginning of year</b>			<u>\$ 60,365,875</u>	<u>\$ 58,453,179</u>
<b>Accumulated operating surplus, end of year</b>			<u>\$ 62,662,853</u>	<u>\$ 60,365,875</u>

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

**British Columbia Securities Commission  
Statement of Remeasurement Gains and Losses  
For the Year Ended March 31, 2017**

	Notes	Year Ended March 31	
		2017	2016
<b>Accumulated remeasurement gains (losses), beginning of year</b>		\$ (488,523)	\$ 395,091
Unrealized gains (losses) on investments	15	107,887	(515,385)
Realized gains on investments, reclassified to operations	15	(145,320)	(368,229)
<b>Accumulated remeasurement losses, end of year</b>		<u>\$ (525,956)</u>	<u>\$ (488,523)</u>

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

**British Columbia Securities Commission  
Statement of Change in Net Financial Assets  
For the Year Ended March 31, 2017**

	<b>Year Ended March 31</b>		
	<b>2017 Budget (note 20)</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>Surplus (deficit), for the year</b>	\$ (2,200,000)	\$ 2,296,978	\$ 1,912,696
Acquisition of tangible capital assets	\$ (1,750,000)	\$ (4,454,594)	\$ (1,876,113)
Write-off of intangible capital assets	-	-	52,500
Depreciation of tangible capital assets	2,900,000	3,095,326	2,882,554
	<u>\$ 1,150,000</u>	<u>\$ (1,359,268)</u>	<u>\$ 1,058,941</u>
Acquisition of prepaid expenses		\$ (1,190,840)	\$ (1,040,104)
Use of prepaid expenses		1,277,893	990,426
		<u>\$ 87,053</u>	<u>\$ (49,678)</u>
Effect of net remeasurement losses for the year		<u>\$ (37,433)</u>	<u>\$ (883,614)</u>
<b>Increase in net financial assets, for the year</b>		<u>\$ 987,330</u>	<u>\$ 2,038,345</u>
<b>Net financial assets, beginning of year</b>		<u>\$ 48,845,510</u>	<u>\$ 46,807,165</u>
<b>Net financial assets, end of year</b>		<u>\$ 49,832,840</u>	<u>\$ 48,845,510</u>

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

**British Columbia Securities Commission**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2017**

	<b>Year Ended</b>	
	<b>March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating transactions</b>		
Cash received from:		
Fees	\$ 46,939,239	\$ 47,013,247
Enforcement sanctions	979,093	152,368
Interest	479,183	475,071
	<u>\$ 48,397,515</u>	<u>\$ 47,640,686</u>
Cash paid to and on behalf of employees	\$ (29,948,450)	\$ (30,364,110)
Cash paid to suppliers and others	(13,053,317)	(12,824,269)
	<u>\$ (43,001,767)</u>	<u>\$ (43,188,379)</u>
Cash provided by operating transactions	<u>\$ 5,395,748</u>	<u>\$ 4,452,307</u>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	<u>\$ (4,454,594)</u>	<u>\$ (1,876,113)</u>
<b>Investing transactions</b>		
Proceeds from disposals of investments	\$ 5,500,000	\$ 46,368,218
Investments	(25,750,000)	(32,581,669)
	<u>\$ (20,250,000)</u>	<u>\$ 13,786,549</u>
<b>Increase (decrease) in cash</b>	<u>\$ (19,308,847)</u>	<u>\$ 16,362,742</u>
<b>Cash, beginning of year</b>	<u>\$ 29,379,432</u>	<u>\$ 13,016,690</u>
<b>Cash, end of year</b>	<u>\$ 10,070,585</u>	<u>\$ 29,379,432</u>

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



# British Columbia Securities Commission

## Notes to the Financial Statements

### For Year Ended March 31, 2017

#### 1. Nature of operations

The British Columbia Securities Commission (BCSC) is a Crown corporation created by the Province of British Columbia on April 1, 1995. We are responsible for the administration of the *Securities Act*. As a Crown corporation, the BCSC is exempt from income taxes. We pay PST (7%) and GST (5%) on taxable purchases but recover the GST.

#### 2. Significant accounting policies

Management has prepared these financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant accounting policies followed in the preparation of these financial statements are:

##### a) *Interest in national systems Partnership*

The CSA is an umbrella organization of Canada's ten provincial and three territorial securities regulators, whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. BCSC, Alberta Securities Commission, Ontario Securities Commission, and Autorité des marchés financiers (collectively, the Principal Administrators, or PAs), have agreed to oversee CSA's shared information systems, on behalf of the CSA. Each of the PAs has one vote on shared system matters.

We collect over 80% of our fee revenue through the national systems. The Partnership contracted CGI Information Systems and Management Consultants Inc (CGI) to provide IT services, to January 13, 2019. CGI maintains a comprehensive business continuity plan for the national systems.

The Partnership charges user fees to recover systems development and operating costs. The Partnership has agreed to use its accumulated surpluses only for the benefit of systems users.

The national systems arrangement is a government partnership under PSAS. Accordingly, these financial statements include 25% of the assets, liabilities, net assets, revenues and expenses of the Partnership.

##### b) *Financial instruments*

Our financial instruments include cash, restricted cash, investments, amounts receivable, accounts payable, accrued liabilities, accrued salaries, and 161(1)(g) liabilities. Under the *Securities Act*, we must invest any money that we receive relating to local operations, but do not immediately need, in investment pools that the British Columbia Investment Management Corporation (bcIMC), a BC government organization, administers. Our working capital cash, our restricted cash, and the Partnership's working capital cash, are on deposit with Schedule 1 chartered banks, and earn interest ranging from prime minus 1.70% to prime minus 1.85%. The Partnership's investments are held in redeemable term deposits and guaranteed investment certificates at fixed interest rates of 1.10% to 1.70%.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**2. Significant accounting policies (con't)**

We account for all of our financial instruments on a fair value basis, as follows:

- We record cash, restricted cash, and investments at fair value (fair value measurement hierarchy level one – quoted market prices). We consider the fair value of our investments to be market value because they are highly liquid.
- We record all other financial instruments at cost, which approximates fair value, due to their short-term nature.

We recognize realized gains and losses in annual operating surplus/deficit. We record unrealized gains and losses separately in the statement of accumulated remeasurement gains (losses). We reinvest any investment earnings in the portfolio and adjust the carrying value of the units we own accordingly.

*c) 161(1)(g) payments*

The Commission can order respondents to pay to the Commission money obtained as a result of contravening the *Securities Act*. If the Commission receives money under such an order, we must

- issue a press release
- post a notice on our website that we have collected money
- receive and consider applications for payment to eligible claimants from the money collected

We allocate funds to eligible claimants after adjudicating all claims, and retain any funds not disbursed after adjudicating all claims.

*d) Tangible capital assets*

We record tangible capital assets at cost. We depreciate them using the straight-line method over their useful lives.

We estimate the useful lives of our tangible capital assets to be as follows:

- Local information technology – five years
- Local leasehold improvements – the remaining lease term to November 30, 2021
- Local office furniture and equipment – ten years
- Partnership information technology – five years

*e) Revenue recognition*

We recognize revenue for prospectus and other statutory filing fees when filings are made and collectability is assured. The amounts due and their collectability are normally determined simultaneously, as almost all filings are paid for immediately.

We receive annual registration fees and recognize them in revenue in the calendar year to which they relate.

We recognize enforcement sanctions revenue when we determine sanctions are collectible.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**2. Significant accounting policies (con't)**

*f) Expenses*

We report expenses on an accrual basis. We expense the cost of all goods consumed and services received during the year.

The BCSC second certain employees and provides information technology, payroll, and financial accounting support, on a cost recovery basis, to the Canadian Securities Regulation Regime Transition Office (CSTO) and Capital Markets Authority Implementation Organization (CMAIO). These arrangements support the BC government's Cooperative System initiative, which is distinct from the BCSC's regulatory mandate. We net reimbursements against corresponding salaries and benefits costs.

*g) Employee future benefits*

We participate in the Public Service Pension Plan, a multi-employer defined benefit pension plan. We account for the plan as a defined contribution plan as we have insufficient information to apply defined benefit plan accounting. Pension costs included in our financial statements are comprised of the cost of employer contributions related to the current service of employees during the year and additional employer contributions for service relating to prior years.

*h) Measurement uncertainty*

PSAS require management to make estimates and assumptions for certain amounts disclosed in the financial statements.

In our financial statements, management has estimated the:

- portion of amounts receivable that we will collect
- useful lives of tangible capital assets
- value of the employee leave liability

Estimates reflect the best information available when we prepare the financial statements. Actual results may differ from these estimates. We will record any adjustments to these estimates in the period that additional information becomes available.

# British Columbia Securities Commission

## Notes to the Financial Statements

### For Year Ended March 31, 2017

#### 3. Financial instruments

Cash and restricted cash are demand deposits held at Schedule 1 chartered banks.

Our investments are in units of bcIMC investment pools. We buy units of the following bcIMC pooled funds:

- Canadian Money Market Fund  
Canadian money market investments with original maturities of less than 15 months
- Short Term Bond Fund  
Canadian federal and provincial government bonds and Canadian dollar fixed income securities that are insured or guaranteed by sovereign governments, and supranational debt securities, all maturing within five years
- Canadian Universe Bond Fund  
Canadian federal and provincial government bonds, Canadian dollar fixed income securities insured or guaranteed by sovereign governments, and investment-grade corporate debt securities, all maturing within 30 years

Our use of financial instruments to invest exposes us to financial risks associated with the underlying securities held in the investment funds, including credit risk, market risk, and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the risk of loss from unfavourable changes in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of currency risk, interest rate risk, and price risk. Liquidity risk is the risk the fund will not be able to meet its obligations as they fall due.

In management's opinion, our investments do not expose the BCSC to significant credit risk because we invest in liquid, high quality money market instruments, government securities, and investment-grade corporate debt securities. Liquidity risk is low because our investments are in pooled fund units redeemable within two weeks, without penalty. The underlying assets in the pools are also highly liquid. We have low exposure to currency risk.

Our investments expose us to interest rate risk associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. Based on the March 31, 2017 composition of our investment portfolio, an immediate 1% increase in interest rates across the entire yield curve, with all other variables held constant, would result in a decrease in market value of approximately \$1.1 million. In addition, future investment income earned on variable rate cash deposits and new investments would increase after an interest rate increase. We expect interest rates to rise slightly, if at all, over the coming year. We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator, bcIMC. The current investment duration of the Short Term Bond Fund is 2.8 years and of the Canadian Universe Bond Fund is 7.7 years.

In management's opinion, amounts receivable, accounts payable, and accrued liabilities and accrued salaries do not expose us to significant financial risk because of their short-term nature.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**4. Cash**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Local demand deposits	\$ 5,099,036	\$ 5,256,918
Partnership demand deposits	4,971,549	24,122,514
	<u>\$ 10,070,585</u>	<u>\$ 29,379,432</u>

**5. Restricted cash - 161(1)(g) payments and 161(1)(g) liabilities**

Case	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Winston King-Loong Kuit	\$ 75,985	-
Ayaz Dhanani	120,000	-
Weiqing Jane Jin	4,280	-
Keith Henry Alexander	-	\$ 20,000
Canada Pacific Consulting Inc. and Michael Robert Shantz	131,781	131,781
	<u>\$ 332,046</u>	<u>\$ 151,781</u>

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**6. Investments**

	March 31, 2017		March 31, 2016	
	Market Value	Cost	Market Value	Cost
<i>bcIMC pooled funds</i>				
Canadian Money Market Fund	\$ 7,000,050	\$ 6,999,937	\$ -	\$ -
Short Term Bond Fund	6,036,412	6,070,818	5,994,644	6,011,633
Canadian Universe Bond Fund	9,256,656	9,748,319	14,370,697	14,842,231
	<u>\$ 22,293,118</u>	<u>\$ 22,819,074</u>	<u>\$ 20,365,341</u>	<u>\$ 20,853,864</u>
<i>Partnership investments</i>				
	Market Value	Cost	Market Value	Cost
2 year term deposit	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
1 year term deposit	8,750,000	8,750,000	-	-
1 year GIC	10,000,000	10,000,000	-	-
	<u>\$ 28,750,000</u>	<u>\$ 28,750,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
	<u>\$ 51,043,118</u>	<u>\$ 51,569,074</u>	<u>\$ 30,365,341</u>	<u>\$ 30,853,864</u>

**7. Amounts receivable**

	March 31, 2017	March 31, 2016
National systems user fees	\$ 1,123,595	\$ 637,553
SEDAR filings	118,350	-
Enforcement sanctions	55,934	142,938
Late insider report filing fees	13,815	16,800
Due from CSTO	91,326	74,519
Due from CMAIO	85,159	-
National project recoveries	79,276	82,469
GST rebates	38,113	74,222
Employee advances and other	27,323	39,181
	<u>\$ 1,632,891</u>	<u>\$ 1,067,682</u>

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**8. Accounts payable and accrued liabilities**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Local trade accounts payable	\$ 576,396	\$ 1,393,765
Partnership trade accounts payable	697,716	135,071
Other	404,948	302,432
	<u>\$ 1,679,060</u>	<u>\$ 1,831,268</u>

**9. Employee leave liability**

Employee leave liability is what we owe to our employees for their accumulated vacation time.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**10. Tangible capital assets**

	March 31, 2017					March 31, 2016				
	Local information technology	Local leasehold improvements	Local furniture & equipment	Partnership Information technology	Total	Local information technology	Local leasehold improvements	Local furniture & equipment	Partnership Information technology	Total
<b>Cost</b>										
Opening balance	\$ 14,369,675	\$ 5,911,949	\$ 2,858,990	\$ 646,535	23,787,149	\$ 13,467,227	\$ 5,924,423	\$ 2,920,760	\$ 427,956	\$ 22,740,366
Additions	1,140,414	-	-	3,314,180	4,454,594	1,590,145	-	14,890	271,079	1,876,113
Disposals	(864,877)	-	(50,029)	-	(914,906)	(687,696)	(12,474)	(76,660)	-	(776,830)
Write-downs	-	-	-	-	-	-	-	-	(52,500)	(52,500)
Closing balance	\$ 14,645,212	\$ 5,911,949	\$ 2,808,961	\$ 3,960,716	\$ 27,326,838	\$ 14,369,675	\$ 5,911,949	\$ 2,858,990	\$ 646,535	\$ 23,787,149
<b>Accumulated depreciation</b>										
Opening balance	\$ 7,026,625	\$ 4,229,778	\$ 2,286,154	\$ 180,840	\$ 13,723,397	\$ 5,327,289	\$ 3,943,337	\$ 2,269,135	\$ 77,912	\$ 11,617,673
Depreciation	2,584,404	297,213	92,997	120,712	3,095,326	2,387,032	298,915	93,679	102,928	2,882,554
Disposals	(864,877)	-	(50,029)	-	(914,906)	(687,696)	(12,474)	(76,660)	-	(776,830)
Write-downs	-	-	-	-	-	-	-	-	-	-
Closing balance	\$ 8,746,152	\$ 4,526,991	\$ 2,329,122	\$ 301,552	\$ 15,903,817	\$ 7,026,625	\$ 4,229,778	\$ 2,286,154	\$ 180,840	\$ 13,723,397
Net book value	\$ 5,899,060	\$ 1,384,958	\$ 479,839	\$ 3,659,163	\$ 11,423,021	\$ 7,343,051	\$ 1,682,171	\$ 572,836	\$ 465,695	\$ 10,063,752



**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**11. Prepaid expenses**

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Local hardware and software maintenance contracts	\$ 392,777	\$ 494,437
Partnership information services	458,675	174,123
Partnership software maintenance	29,584	
IIROC registration processing fees	-	\$ 299,531
	<u>\$ 881,036</u>	<u>\$ 968,090</u>

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**12. Accumulated operating surplus**

	March 31, 2017				March 31, 2016			
	General	Education (a)	National Systems (b)	Total	General	Education (a)	National Systems (b)	Total
<b>Opening balance</b>	\$ 25,401,883	\$ -	\$ 34,963,992	\$ 60,365,875	\$ 25,955,887	\$ 298,999	\$ 32,198,293	\$ 58,453,179
Additions and appropriations	(1,608,378)	936,196	2,969,160	2,296,978	(1,051,343)	198,340	2,765,699	1,912,696
Investment income allocation	-	-	-	-	-	-	-	-
Education disbursements paid from reserve	728,880	(728,880)	-	-	497,339	(497,339)	-	-
Closing balance	\$ 24,522,385	\$ 207,316	\$ 37,933,152	\$ 62,662,853	\$ 25,401,883	\$ -	\$ 34,963,992	\$ 60,365,875

*a) Education reserve (internally-restricted)*

We order administrative penalties and 161(1)(g) payments under the *Securities Act*. We also negotiate settlement amounts. We designate revenue from penalties, settlements, and unclaimed 161(1)(g) payments to our Education reserve, which we spend only to educate securities market participants and the public about investing, financial matters, or the operation or regulation of securities markets.

*b) National systems (restricted)*

The Partnership agreement specifies that the Partnership will use its surpluses only for the benefit of systems users.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**13. Partnership - summarized annual financial information**

	31-Mar-17		31-Mar-16	
	Partnership	25% share	Partnership	25% share
<i>Financial Position</i>				
Financial assets	\$ 141,333,608	\$ 35,333,402	\$ 139,736,757	\$ 34,934,189
Liabilities	4,237,653	1,059,413	1,743,570	435,893
Net Financial assets	\$ 137,095,955	\$ 34,273,989	\$ 137,993,187	\$ 34,498,297
Non-financial assets	14,636,653	3,659,163	1,862,781	465,695
Accumulated surplus	\$ 151,732,608	\$ 37,933,152	\$ 139,855,968	\$ 34,963,992
<i>Operations</i>				
Revenue	\$ 27,405,208	\$ 6,851,302	\$ 27,230,319	\$ 6,807,580
Expenses	15,528,568	3,882,142	16,167,524	4,041,881
Surplus	\$ 11,876,640	\$ 2,969,160	\$ 11,062,795	\$ 2,765,699
<i>Cash flows</i>				
Cash provided by (used in):				
Operating	\$ (11,876,640)	\$ (2,969,160)	\$ (11,062,795)	\$ (2,765,699)
Capital	13,256,722	3,314,180	1,084,317	271,079
Investing	(77,983,944)	(19,495,986)	71,078,026	17,769,507
Increase (decrease) in cash	\$ (76,603,862)	\$ (19,150,966)	\$ 61,099,548	\$ 15,274,887

**14. Enforcement sanctions**

Enforcement sanctions revenue includes administrative penalties, settlements, and unclaimed 161(1)(g) payments, if any. Revenues depend on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts.

We assessed enforcement sanctions of \$54.1 million (fiscal 2016 - \$84.9 million) during the year, of which we did not recognize \$53.0 million (fiscal 2016 - \$84.7 million) as revenue because we do not expect to receive payment.

Collecting enforcement sanctions is difficult because respondents often have limited assets, or cannot be found. We pursue outstanding amounts as appropriate, to maximize sanction receipts, net of collection costs.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**15. Investment income, realized gains on investments, and unrealized gains (losses) on investments**

	For the Year Ended March 31, 2017					
	Average balance	Investment income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized return
Cash	\$ 38,779,971	\$ 477,470	\$ -	\$ 477,470	\$ -	1.2%
Restricted cash - 161(1)(g) payments	163,990	1,713	-	1,713	-	1.0%
Canadian Money Market Fund	961,565	(58)	(5)	(63)	108	0.0%
Short Term Bond Fund	6,019,258	59,185	-	59,185	(17,417)	0.7%
Canadian Universe Bond Fund	11,780,422	260,763	145,325	406,088	125,196	4.5%
	<u>\$ 57,705,207</u>	<u>\$ 799,073</u>	<u>\$ 145,320</u>	<u>\$ 944,393</u>	<u>\$ 107,887</u>	<u>1.8%</u>

  

	For the Year Ended March 31, 2016					
	Average balance	Investment income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized return
Cash	\$ 37,267,726	\$ 473,565	\$ -	\$ 473,565	\$ -	1.3%
Restricted cash - 161(1)(g) payments	145,657	1,506	-	1,506	-	1.0%
Canadian Money Market Fund	1,812,521	14,234	(3,718)	10,516	(804)	0.5%
Short Term Bond Fund	921,865	11,633	-	11,633	(16,989)	(0.6%)
Cdn Universe Bond Fund	15,654,861	538,740	371,947	910,687	(497,592)	2.6%
	<u>\$ 55,802,631</u>	<u>\$ 1,039,678</u>	<u>\$ 368,229</u>	<u>\$ 1,407,907</u>	<u>\$ (515,385)</u>	<u>1.6%</u>

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**16. Expenses**

	Budget	Year ended March 31	
	2017	2017	2016
<b>Local operations</b>			
Salaries and benefits	\$ 31,800,000	\$ 30,705,078	\$ 30,649,438
Professional services	2,000,000	1,822,153	2,357,592
Occupancy	3,150,000	3,175,682	3,116,547
Depreciation	2,900,000	2,974,614	2,779,626
Information management	1,750,000	1,762,558	1,456,182
Education disbursements	750,000	728,880	761,531
External communication	150,000	123,986	119,818
Administration	550,000	645,152	510,798
Staff training	375,000	284,487	320,285
Travel	300,000	302,152	239,106
Telecommunications	175,000	178,261	167,027
Total local operations	<u>\$ 43,900,000</u>	<u>\$ 42,703,003</u>	<u>\$ 42,477,950</u>
<b>National systems operations</b>			
Salaries and benefits	\$ 750,000	\$ 641,212	\$ 723,407
Professional services	3,300,000	2,922,735	3,060,048
Depreciation	150,000	120,712	102,928
Information management and administration	200,000	197,483	155,498
Total national systems Partnership operations	<u>\$ 4,400,000</u>	<u>\$ 3,882,142</u>	<u>\$ 4,041,881</u>
	<u>\$ 48,300,000</u>	<u>\$ 46,585,145</u>	<u>\$ 46,519,831</u>

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**17. Related party transactions**

We are related through common ownership to all BC provincial government ministries, agencies, and Crown corporations. We conducted all transactions with these entities as though we were unrelated parties.

**18. Post-retirement employee benefits**

We, and our employees, contribute to the Public Service Pension Plan, a multi-employer plan. The plan is contributory, and its basic benefits are defined. The plan has about 58,000 active members and approximately 45,000 retired members. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

An actuarial valuation of the plan performed every three years assesses the plan's financial position. The latest valuation, as at March 31, 2014, indicated a \$194 million surplus for basic pension benefits. In addition to basic benefits, the plan also provides supplementary benefits, including inflation indexing. These supplementary benefits are paid only to the extent that they have been funded, which is currently done on a "pay-as-you-go" basis. A valuation as at March 31, 2017 has been scheduled and the results will be announced in 2018.

The plan trustees monitor the impact of the financial environment on plan health. Plan surpluses and deficits are not attributable to individual employers, but affect future contribution levels. We charged \$3.2 million to expense for employer contributions during the period.

**British Columbia Securities Commission**  
**Notes to the Financial Statements**  
**For Year Ended March 31, 2017**

**19. Commitments and contingencies**

Our commitments relating to lease agreements for office space and equipment are as follows:

	2018	2019-2020	2021-2022	Total
Leased space and equipment	\$ 3,217,693	\$ 6,594,456	\$ 5,703,882	\$ 15,516,031

The Partnership's agreement with CGI to host and maintain the national systems has an initial term of five years, expiring on January 13, 2019, and is extendible for up to three additional years. The Partnership has certain rights to terminate the agreement, with and without cause.

During the year, the Partnership signed an agreement with CGI to replace the national systems with one system. Development is occurring in a multi-year phased approach. The Partnership has certain rights to terminate the agreement, with and without cause.

The BCSC has committed to pay 25% of any claim or expenses related to operation and redevelopment of the national systems that exceed the Partnership's surplus funds.

**20. Budgeted figures**

On January 26, 2017, the government approved a revised budget for fiscal 2017. Budgeted figures are for comparison purposes.