

Financial Statements of

**HEALTH EMPLOYERS ASSOCIATION
OF BRITISH COLUMBIA**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of the Health Employers Association of British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of the Health Employers Association of British Columbia, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 Health Employers Association of British Columbia as at March 31, 2017, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

May 26, 2017
Burnaby, Canada

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Financial Position

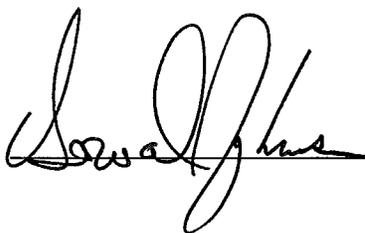
March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 3,660,568	\$ 2,279,075
Investments (note 3)	5,458,692	8,685,036
Accounts receivable	874,419	852,419
	<u>9,993,679</u>	<u>11,816,530</u>
Liabilities:		
Accounts payable and accrued liabilities	1,175,312	1,950,518
Deferred contributions (note 4)	5,248,348	6,184,644
Tenant inducements	149,072	298,172
Retirement benefit liability	258,592	268,041
	<u>6,831,324</u>	<u>8,701,375</u>
Net financial assets	3,162,355	3,115,155
Non-financial assets:		
Tangible capital assets (note 5)	412,231	394,377
Prepaid expenses	53,214	118,268
	<u>465,445</u>	<u>512,645</u>
Commitments (note 9)		
Accumulated surplus (note 6)	\$ 3,627,800	\$ 3,627,800

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 2(j))	2017	2016
Revenue:			
Provincial government funding	\$ 9,448,215	\$ 9,448,215	\$ 9,068,215
Fees for service (note 8)	110,000	100,810	136,172
Member assessments	-	-	135,603
Interest	120,000	81,259	105,564
	<u>9,678,215</u>	<u>9,630,284</u>	<u>9,445,554</u>
Restricted funding from deferred contributions for operations (note 4)	11,426,141	8,918,670	7,298,705
	<u>21,104,356</u>	<u>18,548,954</u>	<u>16,744,259</u>
Expenses (note 11):			
Ongoing operations:			
Legal services and strategic labour relations	2,787,870	3,179,372	3,381,727
Knowledge management and compensation services	2,938,430	2,804,065	2,589,707
Strategic negotiations and benefits administration	945,415	1,168,692	1,748,375
Executive services and board governance	1,480,560	1,356,179	1,233,280
Finance and administration	880,220	764,693	775,089
Absence management and occupational health and safety	587,720	369,970	717,282
Nurse staffing secretariat	-	340,777	-
General	125,000	198,881	224,115
Expenses from ongoing operations	<u>9,745,215</u>	<u>10,182,629</u>	<u>10,669,575</u>
Contracted operations:			
Recruitment services - Health Match BC	2,635,000	2,363,600	2,097,681
Practice ready assessment BC	2,750,000	2,146,164	1,768,939
Physician services	2,872,150	1,832,899	1,307,792
Rural GP Locum	1,777,690	664,307	271,142
Care aide registry	600,000	519,183	525,037
Integrated health human resource planning	360,000	510,285	272,350
Health cross jurisdictional labour relations database	431,301	329,887	376,853
Expenses from contracted operations	<u>11,426,141</u>	<u>8,366,325</u>	<u>6,619,794</u>
Total expenses from operations	<u>21,171,356</u>	<u>18,548,954</u>	<u>17,289,369</u>
Annual surplus (deficit)	(67,000)	-	(545,110)
Accumulated surplus, beginning of year	3,627,800	3,627,800	4,172,910
Accumulated surplus, end of year	<u>\$ 3,560,800</u>	<u>\$ 3,627,800</u>	<u>\$ 3,627,800</u>

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Financial Assets

Year ended March 31, 2017, with comparative information for 2016

	2017 Budget (Note 2(j))	2017	2016
Annual surplus (deficit)	\$ (67,000)	\$ -	\$ (545,110)
Acquisition of tangible capital assets	(158,000)	(216,499)	(114,407)
Disposal of tangible capital assets	-	-	2,022
Amortization of tangible capital assets	200,000	198,645	183,685
Acquisition of prepaid expenses	-	(68,015)	(169,494)
Use of prepaid expenses	-	133,069	177,593
Increase (decrease) in net financial assets	(25,000)	47,200	(465,711)
Net financial assets, beginning of year	3,115,155	3,115,155	3,580,866
Net financial assets, end of year	\$ 3,090,155	\$ 3,162,355	\$ 3,115,155

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flow

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash flows provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ -	\$ (545,110)
Items not affecting cash:		
Amortization of tangible capital assets	198,645	183,685
Amortization of tenant inducements	(149,100)	(149,098)
Loss on disposal of tangible capital assets	-	2,022
	49,545	(508,501)
Changes in non-cash operating working capital:		
Accounts receivable	(22,000)	1,791,507
Prepaid expenses	65,054	8,099
Accounts payable and accrued liabilities	(775,206)	(151,732)
Deferred contributions	(936,296)	419,499
Retirement benefit liability	(9,449)	(25,357)
	(1,628,352)	1,533,515
Capital activities:		
Acquisition of tangible capital assets	(216,499)	(114,407)
Investing activities:		
Redemption of investments	3,226,344	800,000
Purchase of investments	-	(1,539,610)
	3,226,344	(739,610)
Increase in cash	1,381,493	679,498
Cash, beginning of year	2,279,075	1,599,577
Cash, end of year	\$ 3,660,568	\$ 2,279,075

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2017

1. Nature of business and basis of presentation:

The Health Employers Association of British Columbia (the "Association") was formed under the Society Act (British Columbia) and the Public Sector Employers Act. The Association has until November 28, 2018 to transition to the new Societies Act (British Columbia) which became effective November 28, 2016. The Association is exempt from income taxes under Section 149 of the Income Tax Act.

The Association's primary purpose is to coordinate and conduct collective bargaining, coordinate compensation for exempt employees, and support health care employers in the areas of benefit administration and human resource practices.

Funding is provided primarily by the Province of British Columbia (the "Province") and the Association is dependent on funding from this source.

2. Significant accounting policies:

The Association's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Canadian Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants, Canada.

(b) Revenue recognition:

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis, except when the amounts cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are accounted for in accordance with PS 3410 - *Government Transfers*. Under PS 3410, contributions for operating purposes are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. These transfers are recognized as deferred contributions when transfer stipulations give rise to a liability. Such revenues are recognized in the statement of operations as the liabilities are settled.

Contributions from non-government sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Interest income on restricted deferred contributions is recorded as deferred revenue until revenue recognition has been met. Other interest income is recognized when earned.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(c) Investments:

The Association's investments consist of units in Phillips, Hager & North Canadian Money Market Fund Series O recorded at fair value and guaranteed investment certificates recorded at cost less a provision for impairment where investments are considered to be other than temporarily impaired.

(d) Employee future benefits:

The Association and its employees participate in the Municipal Pension Plan ("MPP"). The MPP is a multi-employer contributory defined benefit pension plan. Contributions to the plan are expensed as incurred.

The liability for vacation payable and staff illness bank payable are accrued and expensed as the benefits are earned and are included in accounts payable and accrued liabilities.

The accrued retirement benefit liability is an estimate of future retirement allowances for employees who are over 55-years of age with greater than 10-years of service, upon retirement from the Association. The retiring allowance is 1-week of an employee's regular pay for every 2-years of service to a maximum of 20-weeks. Payments made on this liability will be funded from cash as incurred.

(e) Tenant inducements:

Inducements received from the landlord have been deferred and are being amortized to rent expense on a straight-line basis over the term of the lease.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful lives of the assets on the following basis:

	Basis	Rate
Office equipment	Declining balance	20%
Furniture and fixtures	Declining balance	20%
Computer equipment	Straight-line	3 years
Leasehold improvements	Straight-line	Over the term of the lease

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Tangible capital assets are written down to residual value when conditions indicate that they no longer contribute to the Association's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Leases that transfer substantially all benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(g) Accumulated surplus:

Various funds are included in accumulated surplus. These funds are not presented separately in the statement of operations but are presented on a combined basis, with any interfund balances and transactions eliminated. The funds are detailed in note 6 and include the following:

(i) Unrestricted accumulated surplus:

(ii) Invested in tangible capital assets:

This fund represents the tangible capital assets under the management of the Association.

(iii) Capital reserves:

This fund relates to the maintenance and acquisition of tangible capital assets.

(h) Financial instruments:

Derivatives and equity instruments quoted in an active market are measured at fair value. Other than those listed in note 3, the Association does not have any such instruments. All other financial assets and financial liabilities are measured at cost or amortized cost which are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are a component of cost for financial instruments measured at cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and revenues and expenses during the year. The actual outcome could differ from the estimates made in the preparation of the financial statements. Areas requiring significant management estimates include retirement benefit liability, contingencies, and the useful economic lives of tangible capital assets for amortization.

(j) Budget figures:

The budget information reported in the statements of operations and changes in net financial assets have been derived from the budget approved by the Board of Directors on February 26, 2016.

3. Investments:

Investments are comprised of the following:

	2017	2016
Canadian money market funds at fair value	\$ 3,652,239	\$ 6,185,036
Guaranteed investment certificates at cost	1,806,453	2,500,000
	<u>\$ 5,458,692</u>	<u>\$ 8,685,036</u>

The guaranteed investment certificates have interest rates ranging from 1.10% to 1.20% (2016 - 1.10% to 1.60%) with maturities from April to December 2017.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Deferred contributions:

	2017	2016
Balance, beginning of year	\$ 6,184,644	\$ 5,765,145
Provincial government funding received	7,951,342	7,185,023
Funds transferred	-	500,000
Interest earned	31,032	33,181
	14,167,018	13,483,349
Less amounts recognized as revenue	(8,918,670)	(7,298,705)
Balance, end of year	\$ 5,248,348	\$ 6,184,644

During the year, the Association received funding from the Provincial Government of British Columbia for the following purposes:

	2017	2016
Practice ready assessment - BC program ("PRA-BC")	\$ 2,400,000	\$ 2,444,130
Recruitment services - Health Match BC	1,885,000	1,885,000
Physician services (including physician negotiations)	1,500,000	1,000,000
Rural GP Locum	1,005,450	345,000
Care aide registry	600,000	600,000
Health cross jurisdictional labour relations database	370,893	370,893
Integrated health human resource planning	190,000	160,000
Strategic negotiations	-	380,000
	\$ 7,951,343	\$ 7,185,023

The balance of deferred contributions is restricted for the following purposes:

	2017	2016
Physician services (including physician negotiations)	\$ 2,884,239	\$ 3,609,777
Practice ready assessment - BC program ("PRA-BC")	1,027,734	767,505
Rural GP Locum	452,566	111,423
Health cross jurisdictional labour relations database	438,419	397,412
Recruitment services - Health Match BC	250,414	729,015
Care aide registry	178,902	98,086
Integrated health human resource planning	16,074	336,358
Strategic negotiations	-	135,068
	\$ 5,248,348	\$ 6,184,644

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Tangible capital assets:

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2016	\$ 276,395	\$ 578,716	\$ 855,547	\$ 748,133	\$ 2,458,791
Additions	7,810	24,307	66,040	118,342	216,499
	284,205	603,023	921,587	866,475	2,675,290
Accumulated amortization:					
As at April 1, 2016	187,944	510,011	756,412	610,047	2,064,414
Additions	18,408	15,361	68,582	96,294	198,645
	206,352	525,372	824,994	706,341	2,263,059
Net book value, March 31, 2017	\$ 77,853	\$ 77,651	\$ 96,593	\$ 160,134	\$ 412,231

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2015	\$ 276,157	\$ 559,036	\$ 939,773	\$ 726,843	\$ 2,501,809
Additions	12,663	19,680	60,774	21,290	114,407
Disposals	(12,425)	-	(145,000)	-	(157,425)
	276,395	578,716	855,547	748,133	2,458,791
Accumulated amortization:					
As at April 1, 2015	176,667	495,047	823,414	541,004	2,036,132
Additions	21,680	14,964	77,998	69,043	183,685
Disposals	(10,403)	-	(145,000)	-	(155,403)
	187,944	510,011	756,412	610,047	2,064,414
Net book value, March 31, 2016	\$ 88,451	\$ 68,705	\$ 99,135	\$ 138,086	\$ 394,377

6. Accumulated surplus:

	2017	2016
Unrestricted	\$ 3,110,850	\$ 3,126,627
Invested in tangible capital assets	412,231	394,377
Capital reserves	104,719	106,796
	\$ 3,627,800	\$ 3,627,800

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Line of credit:

The Association has an operating line of credit of \$250,000, bearing interest at Royal Bank prime rate, which is unsecured and repayable on demand. This line of credit was unused at March 31, 2017 (2016 - nil).

8. Related party transactions:

The Board of Directors of the Association is responsible for appointing the trustees to the Healthcare Benefit Trust ("HBT").

The Association has a service contract with the HBT to provide consulting and administrative services to HBT related to its maintenance, operation and administration. Fees earned for the year were \$9,070 (2016 - \$10,395). This amount is included in fees for service.

9. Commitments:

The Association has annual operating lease payments related to its premises. Minimum future lease payments as at March 31, 2017 exclusive of operating costs and common area costs, are as follows:

2018	\$ 833,379
2019	1,378,911
2020	1,358,188
2021	1,347,040
2022	1,303,439
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	\$ 6,220,957

The Association's current premises lease expires on March 31, 2018 and has entered into a lease agreement for new premises effective April 1, 2018 for a term of 15 years expiring on March 31, 2033. The commitments shown above reflect the annual base rent costs under the new premises lease. The Association is currently negotiating license agreements to sublet a portion of the leased space to share with other organizations that will generate annual rent recoveries totaling approximately \$343,000 per annum that will offset the lease payments.

10. Pension plan:

The Association and its employees contribute to the Municipal Pension Plan (the "MPP"), a jointly trusteesd pension plan. The Board of Trustees, representing the MPP members and employers, is responsible for overseeing the management of the MPP, including investment of the assets and administration of benefits. The MPP is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The MPP has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 104 contributors from the Association.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Pension plan (continued):

The most recent actuarial valuation as at December 31, 2015 indicated the MPP is fully funded and the funding ratio is 104.6%. Employers participating in the MPP record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the MPP records accrued liabilities and accrued assets for the MPP in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the MPP.

The Association paid \$756,747 for employer contributions to the MPP in fiscal 2017 (2016 - \$680,280).

11. Expenses by object:

	2017	2016
Compensation and benefits	\$ 10,496,790	\$ 9,535,836
Legal and professional	2,713,160	3,102,815
Travel and meetings	2,048,735	1,687,009
Rental - office and equipment	1,420,950	1,309,147
Office and information technology	1,160,075	876,720
Arbitration and hearing costs	220,091	214,969
Amortization	198,646	183,685
Staff training, research and memberships	150,853	153,144
GST - unrecoverable	74,814	81,873
Recruiting and relocation	64,840	144,171
	\$ 18,548,954	\$ 17,289,369

12. Financial risk management:

(a) Fair values:

The Association's financial instruments include cash, investments, accounts receivable and accounts payable. These financial instruments are carried at cost, except for the Money Market Fund Series O investment which is measured at fair value.

(b) Credit risk:

The Association has limited exposure to credit risk associated with its cash, short-term investments, and accounts receivable. The Association is not exposed to significant credit risk as the receivables are due from governments. Cash and the GICs are held with a Canadian chartered bank and the short-term investments are held in Canadian money market funds. The Association's maximum exposure to credit risk is limited to the carrying amount of the balances in the financial statements of \$9,993,679 (2016 - \$11,816,530).

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Financial risk management (continued):

(c) Interest rate risk:

The Association is not subject to any significant interest rate risk other than the short-term investments held in guaranteed investment certificates which are subject to fair value risk due to fixed interest rates on them ranging from 1.10% to 1.20%.

(d) Liquidity risk:

The Association does not have significant liquidity risk as it has sufficient cash to meet its liabilities as they come due. Short-term investments, except for the guaranteed investment certificates, are held in highly liquid investments with no specific terms to maturity that can be disposed of when required. Accounts payable and accrued liabilities are all due within one year.

13. Trusts under administration:

Trusts under administration are not reflected in the financial statements and are comprised of monies held-in-trust for the following purposes:

	2017	2016
Occupational health, safety and violence prevention – Nurses Bargaining Association (“NBA”)	\$ 5,855,497	\$ 4,543,692
Occupational health, safety and violence prevention – Facilities Bargaining Association (“FBA”)	2,002,936	1,488,454
Nurse policy commitments	1,036,538	1,028,734
Enhanced disability management project - NBA	819,838	588,508
Enhanced disability management project – Community Bargaining Association	455,136	402,678
Enhanced disability management project - FBA	431,881	336,364
Health safety in action initiative	246,822	529,493
	<u>\$ 10,848,648</u>	<u>\$ 8,917,923</u>

14. Disclosure of remuneration:

For the fiscal year ending March 31, 2017, the Association paid total remuneration (including taxable benefits) of \$1,510,000 to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

The Association also paid total remuneration of \$37,750 to the Chair of the Board of Directors.