



## Financial Statements

Organized Crime Agency of  
British Columbia Society

March 31, 2021

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# Independent Auditor's Report

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To the Members of the Board of Governance of, [Organized Crime Agency of British Columbia Society](#)

To the Minister of Public Safety and Solicitor General, [Province of British Columbia](#)

## Report on the financial statements

### Opinion

We have audited the financial statements of Organized Crime Agency of British Columbia Society (the "Society"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### 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.

### Emphasis of matter – basis of accounting

We draw attention to Note 3 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. The Society adopted the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia on April 1, 2020 with a transition date of April 1, 2019. These accounting requirements were applied retrospectively by management to the comparative information in these financial statements with no financial impact.

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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 a 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 for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

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 of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year after retroactive application of the change in framework to the accounting requirements of Section 23.1 of the Budget Transparency Act of the Province of British Columbia.

Vancouver, Canada  
May 13, 2021



Chartered Professional Accountants

# Organized Crime Agency of British Columbia Society

## Statement of Financial Position

| March 31  | 2021                | 2020                |
|---|---------------------|---------------------|
| <b>Financial assets</b>                           |                     |                     |
| Cash  | \$ 178,344          | \$ 3,167,467        |
| Accounts receivable (Note 4)                      | 207,723             | 230,957             |
| Due from RCMP (Note 2)                            | 1,519,433           | 668,596             |
|   | <u>1,905,500</u>    | <u>4,067,020</u>    |
| <b>Liabilities</b>                                |                     |                     |
| Accounts payable and accrued liabilities (Note 5) | 2,168,848           | 1,433,445           |
| Due to other government organizations (Note 5)    | 346,489             | 339,281             |
| Deferred contributions (Note 6)                   | 932,429             | 860,000             |
|   | <u>3,447,766</u>    | <u>2,632,726</u>    |
| Net financial (liabilities) assets                | <u>(1,542,266)</u>  | <u>1,434,294</u>    |
| <b>Non-financial assets</b>                       |                     |                     |
| Capital assets (Note 7)                           | 909,426             | 633,814             |
| Prepaid expenses                                  | 13,288              | 2,294               |
|   | <u>922,714</u>      | <u>636,108</u>      |
| Accumulated (deficit) surplus                     | \$ <u>(619,552)</u> | \$ <u>2,070,402</u> |

Economic dependence (Note 2)  
Impact of COVID-19 (Note 11)

Approved on behalf of the Board

Director

Director

# Organized Crime Agency of British Columbia Society

## Statement of Operations

| Year Ended March 31                             | 2021                | 2020                |
|---|---------------------|---------------------|
| <b>Revenues</b>                                 |                     |                     |
| RCMP contributions (Note 2)                     | \$ 8,846,622        | \$ 9,500,000        |
| Salaries, wages and benefits recovered (Note 9) | 11,318,704          | 10,750,447          |
| Provincial funding                              | 605,488             | 70,000              |
| Investment income                               | 11,787              | 25,824              |
|   | <b>20,782,601</b>   | 20,346,271          |
| <b>Expenses</b>                                 |                     |                     |
| Salaries, wages and benefits (Note 9)           | 23,076,651          | 19,615,336          |
| Contracted and consulting services              | 173,792             | -                   |
| Amortization                                    | 74,288              | -                   |
| Kit and clothing                                | 61,445              | -                   |
| Supplies  | 20,275              | -                   |
| Software maintenance                            | 18,190              | -                   |
| Insurance                                       | 18,000              | 18,000              |
| Occupancy costs                                 | 11,788              | -                   |
| Professional services                           | 11,735              | 16,350              |
| Membership                                      | 3,225               | 2,838               |
| Bank charges and interest                       | 3,166               | 2,665               |
|   | <b>23,472,555</b>   | 19,655,189          |
| Annual (deficit) surplus                        | <b>(2,689,954)</b>  | 691,082             |
| Accumulated surplus, beginning of year          | <b>2,070,402</b>    | 1,379,320           |
| Accumulated (deficit) surplus, end of year      | <b>\$ (619,552)</b> | <b>\$ 2,070,402</b> |

## Organized Crime Agency of British Columbia Society

### Statement of Changes in Net Financial Assets

| Year Ended March 31                             | 2021           | 2020         |
|---|----------------|--------------|
| Annual (deficit) surplus                        | \$ (2,689,954) | \$ 691,082   |
| Acquisition of capital assets                   | (349,899)      | (633,814)    |
| Amortization of capital assets                  | 74,288         | -            |
| Acquisition of prepaid expenses                 | (31,121)       | (28,139)     |
| Use of prepaid expenses                         | 20,126         | 27,963       |
| Increase in net financial (liabilities) assets  | (2,976,560)    | 57,092       |
| Net financial assets, beginning of year         | 1,434,294      | 1,377,202    |
| Net financial (liabilities) assets, end of year | \$ (1,542,266) | \$ 1,434,294 |



# Organized Crime Agency of British Columbia Society

## Statement of Cash Flows

Year Ended March 31

2021

2020

Cash provided by (used in)

### Operating activities

|  |                |            |
|--|----------------|------------|
| Annual (deficit) surplus               | \$ (2,689,954) | \$ 691,082 |
| Items not affecting cash               |                |            |
| Amortization of capital assets         | 74,288         | -          |
| Amortization of deferred contributions | (487,571)      | -          |

|  |             |         |
|--|-------------|---------|
|  | (3,103,237) | 691,082 |
|--|-------------|---------|

Change in non-cash operating working capital

|  |           |          |
|--|-----------|----------|
| Accounts receivable                      | 23,234    | (16,466) |
| Due from RCMP                            | (850,837) | 263,684  |
| Prepaid expenses                         | (10,994)  | (176)    |
| Accounts payable and accrued liabilities | 735,403   | 456,554  |
| Due to other government organizations    | 7,208     | 220,343  |

|  |             |           |
|--|-------------|-----------|
|  | (3,199,223) | 1,615,021 |
|--|-------------|-----------|

### Financing activities

|                                   |         |         |
|-----------------------------------|---------|---------|
| Receipt of deferred contributions | 560,000 | 860,000 |
|-----------------------------------|---------|---------|

### Investing activities

|                            |           |           |
|----------------------------|-----------|-----------|
| Purchase of capital assets | (349,900) | (633,814) |
|----------------------------|-----------|-----------|

|                                 |             |           |
|---------------------------------|-------------|-----------|
| Net (decrease) increase in cash | (2,989,123) | 1,841,207 |
|---------------------------------|-------------|-----------|

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Cash balance, beginning of year | 3,167,467 | 1,326,260 |
|---------------------------------|-----------|-----------|

|                           |            |              |
|---------------------------|------------|--------------|
| Cash balance, end of year | \$ 178,344 | \$ 3,167,467 |
|---------------------------|------------|--------------|

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

March 31, 2021

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### 1. Nature of operations

The Organized Crime Agency of British Columbia Society (the "Society") is incorporated under the Societies Act of British Columbia (the "Act") to facilitate the disruption and suppression through the Combined Forces Special Enforcement Unit ("CFSEU-BC") of organized crime which affects British Columbians. The Society was also established as a Designated Policing and Law Enforcement Unit on March 23, 1999, under the Police Act. The Society is exempt from income taxes.

The Society has a Board of Governance. The directors are appointed by the British Columbia Minister of Public Safety and Solicitor General.

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### 2. Economic dependence and related party transactions

On July 4, 2006, a Memorandum of Understanding ("MOU") between all parties was signed with respect to financial, administrative, and operational policies and procedures of CFSEU-BC. Under the MOU, the Society is dependent on the Royal Canadian Mounted Police ("RCMP") to fund their financial obligations in the areas of salaries, wages and benefits of the Society's employees.

Total funding contributions from the RCMP for the year ended March 31, 2021 amounts to \$8,891,378 (2020 - \$9,500,000). Amounts due from the RCMP as at March 31, 2021 amounts to \$1,519,433 (2020 - \$668,596). Outstanding accounts receivable are for refundable expenses related to criminal investigations that will be reimbursed to the Society by the RCMP.

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### 3. Summary of significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which requires accounting policies which are consistent with Canadian public sector accounting standards except in regard to the accounting for restricted capital contributions.

Under Section 23.1 of the Budget Transparency and Accountability Act and its related regulations, the Society is required to recognize restricted capital contributions as a liability and recognize them into revenue on the same basis as the related amortization expense.

Under Canadian public sector accounting standards, those transfers with stipulations that have been met or that do not contain stipulations that create a liability, are fully recognized into revenue.

The Society adopted the accounting requirements of Section 23.1 of the Budget Transparency Act of the Province of British Columbia on April 1, 2020 with a transition date of April 1, 2019. These accounting requirements were applied retrospectively by management to the comparative information in these financial statements with no financial impact.

#### Use of estimates

The preparation of these 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 date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those reported.

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

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March 31, 2021

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### 3. Summary of significant accounting policies (continued)

#### Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. Contributions restricted for specific types of operations or specific periods are deferred and recognized when the restrictions have been met.

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreements are met. Restricted contributions used for the purchase of capital assets are deferred and recognized as revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted transfers from governments are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Employee future benefits

The Society and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

#### Budget figures

A budget has not been presented as there was no budget approved by the Board of Governance for the current year.

#### Segment disclosure and functional presentation of expenses

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Management believes that the Society's activities comprise of only one segment and hence no additional disclosure is required. Furthermore, as the operations of the Society are comprised of one single function, the statement of operations presents expenses by object.

#### Capital assets

Capital assets are recorded at cost less accumulated depreciation. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows commencing when the assets are available for use:

|                                     |          |
|-------------------------------------|----------|
| Mobile ballistics lab and equipment | 20 years |
| Software                            | 3 years  |

#### Financial instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

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March 31, 2021

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### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by the transition costs incurred on acquisition and financing fees, which are amortized using the effective interest rate method.

There are no financial instruments carried at fair value as at March 31, 2021, and as a result, a statement of re-measurement gains and losses has not been prepared.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations. Any reversals of previously recognized impairment losses are recognized in the statement of operations in the year the reversal occurs.

Management believes that the Society is not exposed to significant market, credit and liquidity risks.

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| <b>4. Accounts receivable</b> | <u>2021</u>       | <u>2020</u>       |
|-------------------------------|-------------------|-------------------|
| Advance receivable            | \$ 200,000        | \$ 200,000        |
| GST receivable                | 7,723             | 30,957            |
|                               | <u>\$ 207,723</u> | <u>\$ 230,957</u> |

An advance was made to an employee for use in paying for criminal investigation expenses, the reimbursement for which are made by the RCMP and, accordingly, such expenses are not reflected in these financial statements. There is no fixed repayment date and this receivable bears no interest.

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| <b>5. Accounts payable and accrued liabilities</b> | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Trade payables                                     | \$ 146,319          | \$ 133,970          |
| Salaries and benefits payable                      | 668,839             | 508,392             |
| Vacation pay                                       | 1,353,690           | 791,083             |
|  | <u>\$ 2,168,848</u> | <u>\$ 1,433,445</u> |

In addition to the above noted accounts payable and accrued liabilities, the Society has \$346,489 (2020 - \$339,281) owing to other government organizations at March 31, 2021 with respect to government remittances.

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

March 31, 2021

### 6. Deferred contributions

Deferred contributions consist of contributions received from the Province for tangible capital assets and various staffing and operational expenses. Deferred contributions are comprised of the following:

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Balance, beginning of year             | \$ 860,000        | \$ -              |
| Contributions received during the year | 560,000           | 860,000           |
| Amounts amortized to revenue           | <u>(487,571)</u>  | <u>-</u>          |
| Balance, end of year                   | <u>\$ 932,429</u> | <u>\$ 860,000</u> |

### 7. Capital assets

| <b>Cost</b>                     | <u>2020</u>       | <u>Additions</u>    | <u>Disposals</u> | <u>2021</u>       |
|---------------------------------|-------------------|---------------------|------------------|-------------------|
| Mobile ballistics               |                   |                     |                  |                   |
| lab and equipment               | \$ 633,814        | \$ 189,156          | \$ -             | \$ 822,970        |
| Bullet recovery system          | -                 | 72,147              | -                | 72,147            |
| Software                        | -                 | 88,597              | -                | 88,597            |
|                                 | <u>\$ 633,814</u> | <u>\$ 349,900</u>   | <u>\$ -</u>      | <u>\$ 983,714</u> |
|                                 |                   |                     |                  |                   |
| <b>Accumulated amortization</b> | <u>2020</u>       | <u>Amortization</u> | <u>Disposals</u> | <u>2021</u>       |
| Mobile ballistics               |                   |                     |                  |                   |
| lab and equipment               | \$ -              | \$ 41,149           | \$ -             | \$ 41,149         |
| Bullet recovery system          | -                 | 3,607               | -                | 3,607             |
| Software                        | -                 | 29,532              | -                | 29,532            |
|                                 | <u>\$ -</u>       | <u>\$ 74,288</u>    | <u>\$ -</u>      | <u>\$ 74,288</u>  |
|                                 |                   |                     |                  |                   |
| <b>Net book value</b>           | <u>2020</u>       |                     |                  | <u>2021</u>       |
| Mobile ballistics               |                   |                     |                  |                   |
| lab and equipment               | \$ 633,814        |                     |                  | \$ 781,821        |
| Bullet recovery system          | -                 |                     |                  | 68,540            |
| Software                        | -                 |                     |                  | 59,065            |
|                                 | <u>\$ 633,814</u> |                     |                  | <u>\$ 909,426</u> |

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

March 31, 2021

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### 8. Employee future benefits

The Society and its employees contribute to the Municipal Pension Plan (the “Plan”), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the Plan had approximately 197,000 active members and approximately 95,000 retired members.

Every three years, an independent actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2018 indicates a funding surplus of \$2,026 million. The next valuation will be as at December 31, 2021.

The Society paid \$1,527,602 (2020 - \$1,222,860) for employer contributions to the Plan.

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### 9. Remuneration

For the fiscal year ending March 31, 2021, total salaries, wages and benefits expense is \$23,076,651 (2020 - \$19,615,336). The Society paid remuneration of \$2,508,100 (2020 - \$2,045,030) to the top ten employees, each of whom received total annual remuneration of \$75,000 or greater.

\$11,318,704 (2020 - \$10,750,447) of salaries, wages and benefits expense is recovered from other policing agencies.

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### 10. Funds held-in-trust

During fiscal 2016, the Society entered into an agreement with the British Columbia Ministry of Justice (the “Ministry”) to act as a Financial Administrator. As the Financial Administrator, the Society bills and collects funds for biology casework analysis on behalf of the Ministry. As at March 31, 2021, the Society has collected and holds \$39,534 (2020 - \$108,872) and has billed but not yet collected \$560,308 (2020 - \$398,836), which have not been included within the financial statements of the Society.

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# Organized Crime Agency of British Columbia Society

## Notes to the Financial Statements

March 31, 2021

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### 11. Impact of Covid-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Society received additional funding despite the overall economic slowdown and does not anticipate any cut backs in funding at the date of these financial statements. Management continues to monitor the situation closely and no events or conditions have arisen to the date of these financial statements that would warrant any adjustments.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the balance sheet results of the Society for future periods.

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