

Financial Statements of

**HEALTH EMPLOYERS ASSOCIATION
OF BRITISH COLUMBIA**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Health Employers Association of British Columbia, and to the
Minister of the Ministry of Finance, Province of British Columbia

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Health Employers Association of British Columbia (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of changes in net financial assets (debt) for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2023 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions 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 auditor's report.

We are independent of the Entity 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 - Financial Reporting Framework

We draw attention to Note 2(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- 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 Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these financial statements fairly reflect, in all material respects, for the period under review, the financial position of the Entity and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.



- whether, in our opinion, these financial statements are prepared in accordance with generally accepted accounting principles. These financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Note 2(a) to the financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and not to generally accepted accounting principles.
- whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of Province of British Columbia have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 2, 2023

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

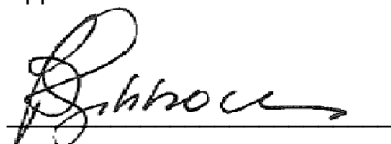
Statement of Financial Position

March 31, 2023, with comparative information for 2022

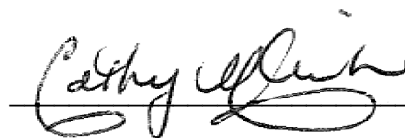
	2023	2022
Financial assets:		
Cash	\$ 11,246,694	\$ 10,222,307
Restricted cash (note 4)	47,592,265	16,135,883
Accounts receivable (note 5(a))	437,360	35,332,976
	<u>59,276,319</u>	<u>61,691,166</u>
Liabilities:		
Accounts payable and accrued liabilities (note 13)	3,540,732	2,994,229
Deferred operating contributions (note 5)	47,752,265	51,125,883
Deferred capital contributions (note 6)	5,522,831	5,715,111
Deferred lease liability (note 7)	1,844,161	2,010,243
Retirement benefit liability	233,661	165,379
	<u>58,893,650</u>	<u>62,010,845</u>
Net financial assets (debt)	382,669	(319,679)
Non-financial assets:		
Tangible capital assets (note 8)	2,927,262	3,542,491
Prepaid expenses	317,869	404,988
	<u>3,245,131</u>	<u>3,947,479</u>
Contractual obligations and contingencies (note 12)		
Contractual rights (note 13)		
Accumulated surplus (note 9)	\$ 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 and Accumulated Surplus

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (note 2(i))	2023	2022
Revenue:			
Provincial government funding	\$ 13,243,215	\$ 12,026,003	\$ 11,723,731
Fees for service	120,000	69,459	162,544
Interest	150,000	2,317,847	425,659
	<u>13,513,215</u>	<u>14,413,309</u>	<u>12,311,934</u>
Restricted funding from deferred operating contributions (note 5)	20,763,697	21,022,082	27,871,930
Amortization of deferred capital contributions (note 6)	192,280	192,280	192,280
	<u>34,469,192</u>	<u>35,627,671</u>	<u>40,376,144</u>
Expenses (note 15):			
Ongoing operations:			
Legal services, negotiations and labour relations	6,478,640	6,964,279	5,982,638
Recruitment solutions	5,649,514	7,019,110	5,375,615
Physician services	3,546,720	3,416,049	2,805,450
Knowledge management	3,229,170	2,617,295	2,869,803
Executive services and board governance	1,925,279	1,533,179	1,603,738
Collective bargaining and related expenses	2,571,580	1,203,042	1,148,846
Finance and administration	591,320	1,034,291	716,205
Compensation services	887,860	842,200	877,063
General	477,600	787,827	457,198
Occupational health and safety	331,230	140,821	278,050
Expenses from ongoing operations	<u>25,688,913</u>	<u>25,558,093</u>	<u>22,114,606</u>
Other managed programs:			
Recruitment Solutions - Managed bursary programs	2,134,800	4,154,955	12,374,998
Locums for rural BC	2,749,300	2,469,290	2,528,989
Practice ready assessment BC	2,549,416	2,423,685	2,355,792
BC care aide and community health worker registry	978,615	772,140	691,167
Health cross jurisdictional labour relations database	416,802	249,508	310,592
Expenses from other managed programs	<u>8,828,933</u>	<u>10,069,578</u>	<u>18,261,538</u>
Total expenses from operations	<u>34,517,846</u>	<u>35,627,671</u>	<u>40,376,144</u>
Annual surplus (deficit)	(48,654)	-	-
Accumulated surplus, beginning of year	3,627,800	3,627,800	3,627,800
Accumulated surplus, end of year	<u>\$ 3,579,146</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 (Debt)

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (note 2(i))	2023	2022
Annual surplus (deficit)	\$ (48,654)	\$ -	\$ -
Acquisition of tangible capital assets	-	(283,511)	(149,812)
Loss on disposal of tangible capital assets	-	373,772	-
Amortization of tangible capital assets	-	524,968	543,257
Acquisition of prepaid expenses	-	(207,557)	(268,621)
Use of prepaid expenses	-	294,676	128,998
Change in net debt	(48,654)	702,348	253,822
Net debt, beginning of year	(319,679)	(319,679)	(573,501)
Net financial assets (debt), end of year	\$ (368,333)	\$ 382,669	\$ (319,679)

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash flows provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	524,968	543,257
Amortization of deferred lease liability	(226,186)	(156,778)
Amortization of deferred capital contributions	(192,280)	(192,280)
Loss on write-off of tangible capital assets (note 12 (b))	373,772	-
	480,274	194,199
Changes in non-cash operating working capital:		
Accounts receivable	34,895,616	(13,978,908)
Accounts payable and accrued liabilities	546,503	134,930
Deferred operating contributions	(3,373,618)	24,911,195
Deferred lease liability	60,104	72,565
Retirement benefit liability	68,282	(93,045)
Prepaid expenses	87,119	(139,623)
	32,764,280	11,101,313
Capital activities:		
Acquisition of tangible capital assets	(283,511)	(149,812)
Investing activities:		
Increase in restricted cash	(31,456,382)	(6,731,695)
Increase in cash	1,024,387	4,219,806
Cash, beginning of year	10,222,307	6,002,501
Cash, end of year	\$ 11,246,694	\$ 10,222,307

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2023

1. Nature of business and basis of presentation:

The Health Employers Association of British Columbia (the "Association") was formed under the Public Sector Employers Act (British Columbia) and is registered under the Societies Act (British Columbia). 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 in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province, supplemented by Regulations 257/2010 and 198/2011 issued by the Province Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded.

The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian Public Sector Accounting Standards ("PSAS") which requires government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred capital contributions in the statement of financial position would be recorded differently under PSAS.

(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.

Restricted donations, grants and contributions are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded in accordance with Regulation 198/2011 which requires that they be recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

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.

Externally restricted interest income on deferred operating contributions is recorded as deferred operating contributions 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, 2023

2. Significant accounting policies (continued):

(c) 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.

(d) Deferred lease liability - tenant inducements and lease liability:

Deferred lease liability includes amounts related to tenant inducements and liability for step-rent expense.

Lease inducements received from the landlord and total rent payments are amortized to rent expense on a straight-line basis over the term of the lease. The difference between the recognized rent expense and the rent payments paid is reflected on the statement of financial position as a part of deferred lease liability (note 7).

(e) 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	Lesser of useful life or term of the lease

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 and accumulated surplus.

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.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(f) Accumulated surplus:

Various funds are included in accumulated surplus. These funds are not presented separately in the statement of operations and accumulated surplus but are presented on a combined basis, with any interfund balances and transactions eliminated. The funds are detailed in note 9 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. Funds released from their originally intended purpose and directed by the funder to be used for capital purposes will be recognized into revenue at the same rate that the respective capital asset is amortized.

(g) Financial instruments:

Financial instruments are classified upon initial recognition as a fair value or amortized cost instrument.

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost. Due to the short-term nature of these instruments, their fair values approximate book value.

Unrealized gains and losses from changes in the fair value of financial instruments would be recognized in the statement of re-measurement gains and losses until such time that the financial asset is de-recognized due to disposal or impairment. At the time of de-recognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus. The Association does not carry financial instruments at fair value and there are no unrealized gains or losses as at March 31, 2023 (2022 - nil). As a result, the Association does not have a statement of re-measurement gains and losses.

(h) 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 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 management estimates include retirement benefit liability, asset retirement obligations (note 3) and the useful economic lives of tangible capital assets for amortization.

(i) Budget information:

The budget information reported in the statements of operations and accumulated surplus and changes in net debt, have been derived from the budget approved by the Board of Directors on March 4, 2022.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Adoption of PS 3280 Asset Retirement Obligations Standard:

On April 1, 2022, the Association adopted Public Sector Accounting Standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, as well as contractual liabilities under lease arrangements by public sector entities.

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The Association's asset retirement obligation include the costs directly attributable to the retirement activities as required under its premises lease agreement and is recorded as a liability and an increase to the related tangible capital assets. The estimate of the asset retirement obligation of \$31,351 has been recorded as a liability included in accounts payable and accrued liabilities as at March 31, 2023. The adoption of the accounting standard did not have an impact on the prior year financial statements.

4. Restricted cash:

Restricted cash are funds held for the purposes of deferred operating contributions as described in note 5. Restricted cash is held in the Province's Central Deposit Program.

5. Deferred operating contributions:

	2023	2022
Balance, beginning of year	\$ 51,125,883	\$ 26,214,688
Provincial government and other funding received (a)	17,976,470	53,361,116
Funds received and transferred to collective bargaining (b)	1,655,642	219,484
Funds received and transferred to trust under administration	-	(800,000)
Funds transferred to accounts payable	(2,000,000)	-
Interest earned	16,352	2,525
	68,774,347	78,997,813
Less: amounts recognized as revenue	(21,022,082)	(27,871,930)
Balance, end of year (c)	\$ 47,752,265	\$ 51,125,883

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Deferred operating contributions (continued):

- (a) During the year, the Association received funding from the Province for the following purposes:

	2023	2022
Recruitment solutions (i)	\$ 5,075,680	\$ 8,774,800
Collective bargaining related	1,484,001	1,900,000
Physician services	3,100,880	3,000,000
Locums for rural BC	2,771,051	2,768,109
Practice ready assessment BC	2,561,986	1,833,725
Recruitment Solutions - Managed Bursary programs (i)	1,774,800	29,340,000
BC care aide and community health worker registry (i)	781,860	600,000
Health cross jurisdictional labour relations database	426,212	414,000
Cyber security upgrade (i)	-	3,600,000
Health Match BC - Support	-	1,000,000
Occupational health and safety	-	130,482
	\$ 17,976,470	\$ 53,361,116

- (i) Prior to March 31, 2023, the Province authorized \$160,000 to be provided to the Association for the Care Aide Registry. This amount has been recorded in accounts receivable in the statement of financial position (2022 - Recruitment Solutions - Managed Bursary programs funding of \$29,340,000, Recruitment solutions funding of \$2,050,000 and Cyber security upgrade funding of \$3,600,000).
- (b) In accordance with the Association's annual funding directive, excess of core revenue over expenditures has been restricted for use toward the anticipated costs of the next public sector bargaining cycle.
- (c) The balance of deferred operating contributions is restricted for the following purposes:

	2023	2022
Recruitment Solutions - Managed bursary programs	\$ 29,395,347	\$ 33,775,502
Collective bargaining related	6,219,306	3,597,007
Recruitment solutions	3,831,289	5,774,719
Cyber security upgrade	3,600,000	3,600,000
Physician services	1,626,701	1,941,870
Health Match BC support	1,000,000	1,000,000
Practice ready assessment BC	727,966	573,313
Health cross jurisdictional labour relations database	725,091	548,388
Locums for rural BC	546,779	245,018
BC care aide and community health worker registry	79,786	70,066
	\$ 47,752,265	\$ 51,125,883

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Deferred capital contributions:

The deferred capital contribution balance represents the unamortized amount of funds restricted for the purchase of tangible capital assets, including any funds not yet spent.

	2023	2022
Balance, beginning of year	\$ 2,115,111	\$ 2,307,391
Amortization during the year	(192,280)	(192,280)
Contributions used to purchase tangible capital assets (note 9)	1,922,831	2,115,111
Contributions granted not yet spent (i)	3,600,000	3,600,000
Balance, end of year	\$ 5,522,831	\$ 5,715,111

(i) Contributions of \$3,600,000 as granted by the Province and received in a prior year are restricted for the purpose of future capital requirements.

7. Deferred lease liability:

The deferred lease liability is comprised of the following:

	2023	2022
Deferred tenant inducement	\$ 1,498,379	\$ 1,724,564
Deferred rent liability	345,782	285,679
	\$ 1,844,161	\$ 2,010,243

8. Tangible capital assets:

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at March 31, 2022	\$ 128,746	\$ 1,058,219	\$ 2,243,993	\$ 3,846,404	\$ 7,277,362
Additions	-	-	256,717	26,794	283,511
Disposals	-	-	(132,460)	(509,754)	(642,214)
	128,746	1,058,219	2,368,250	3,363,444	6,918,659
Accumulated amortization:					
As at March 31, 2022	96,730	617,920	2,032,218	988,003	3,734,871
Additions	6,403	88,060	165,268	265,237	524,968
Disposals	-	-	(132,460)	(135,982)	(268,442)
	103,133	705,980	2,065,026	1,117,258	3,991,397
Net book value, March 31, 2023	\$ 25,613	\$ 352,239	\$ 303,224	\$ 2,246,186	\$ 2,927,262

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Tangible capital assets (continued):

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at March 31, 2021	\$ 128,746	\$ 1,058,219	\$ 2,294,113	\$ 3,841,582	\$ 7,322,660
Additions	-	-	144,990	4,822	149,812
Disposals	-	-	(195,110)	-	(195,110)
	128,746	1,058,219	2,243,993	3,846,404	7,277,362
Accumulated amortization:					
As at March 31, 2021	88,727	507,845	2,058,577	731,575	3,386,724
Additions	8,003	110,075	168,751	256,428	543,257
Disposals	-	-	(195,110)	-	(195,110)
	96,730	617,920	2,032,218	988,003	3,734,871
Net book value, March 31, 2022	\$ 32,016	\$ 440,299	\$ 211,775	\$ 2,858,401	\$ 3,542,491

(a) Included in disposals for fiscal year 2022-23 is the write-off of leasehold improvements with a net book value of \$373,772 due to the termination of the Association's ground floor lease (note 12).

9. Accumulated surplus:

	2023	2022
Invested in tangible capital assets:		
Tangible capital assets	\$ 2,927,262	\$ 3,542,491
Less: spent deferred capital contributions (note 6)	(1,922,831)	(2,115,111)
	1,004,431	1,427,380
Unrestricted	2,623,369	2,200,420
	\$ 3,627,800	\$ 3,627,800

10. 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 has an outstanding balance of nil at March 31, 2023 (2022 - nil).

11. Related party transactions:

The following are types of related parties. Transactions with these parties unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Related party transactions (continued):

(a) BC government reporting entities:

The Association is related through common ownership to all British Columbia province ministries, agencies, crown corporations, school districts, health authorities, hospitals societies, universities, and colleges that are included in the provincial government reporting entity.

(b) Key management personnel and their close family members:

The Association has deemed the Board Chair and Secretary Treasurer, and Senior Executives to be key management personnel based on the definition in PS 2200, *Related party disclosures*. Key management personnel confirm annually, through the completion of a declaration, whether there are any related party transactions with HEABC for themselves and their close family members.

12. Contractual obligations and contingencies:

(a) Operating leases:

The Association has annual operating lease payments related to its office equipment and premises. Minimum future lease payments as at March 31, 2023 exclusive of operating costs, are as follows:

Lease commitments	Equipment	Premises	Total
2024	\$ 1,227	\$ 1,337,112	\$ 1,338,339
2025	-	1,337,112	1,337,112
2026	-	1,337,112	1,337,112
2027	-	1,337,112	1,337,112
2028	-	1,337,112	1,337,112
Thereafter	-	7,163,100	7,163,100
	\$ 1,227	\$ 13,848,660	\$ 13,849,887

The commitments shown above reflect the annual gross base rent costs under the premises leases, exclusive of operating costs for the remaining lease agreements. The Association has also entered into license agreements to sub-let portions of the premises to other government organizations that offset the annual gross rent by \$368,928 per annum (note 13).

(b) Lease termination:

During the year, the Association vacated its ground floor lease due to a permanent change in its need for physical office space. As a result, the Association issued notice to terminate the ground floor lease in March 2023, thereby activating a termination clause.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Contractual obligations and contingencies (continued):

(b) Lease termination (continued):

As a result of this transaction, the Association recorded a disposition of the related leasehold improvements with a net book value of \$373,722, lease termination fees of \$143,869, and the remaining obligations under the lease agreement of \$161,222 in expenses and accrued liabilities. These costs are offset by the derecognition of the portion of the deferred tenant inducement liability of \$69,406 and deferred rent liability of \$12,643 for this space.

(c) Litigation and claims:

The nature of the Association's activities is such that there is litigation pending or in progress at any time. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of likelihood of outcome and amount of potential loss. It is the opinion of management that final determination of these claims will not have a material effect on the financial position or operations of the Association.

13. Contractual rights:

The Association has entered into 5-year license agreements effective April 1, 2018, with the option to renew for two additional 5-year terms with the Healthcare Benefit Trust (HBT), British Columbia Public School Employers Association (BCPSEA), and Post-Secondary Employers' Association (PSEA) (the "tenant associations"), with respect to a portion of the Association's premises lease. HBT and PSEA exercised the option and signed an extension for additional 10 years. BCPSEA signed an extension for additional 5 years.

The amounts shown below reflect the annual base rent recoveries, exclusive of operating costs, charged under license agreements for the tenant associations' use of space related to the remaining years of the terms.

2024	\$	368,928
2025		368,928
2026		368,928
2027		368,928
2028		368,928
Thereafter		1,164,150
	\$	3,008,790

The Association received \$204,589 in prepaid lease payments from the tenant associations which is being amortized as rent recoveries over the term of lease with the licensees including the renewal periods. \$136,392 (2022 - \$150,032) remain as the unamortized amount as at March 31, 2023 and is included in accounts payable and accrued liabilities.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. Pension plan:

The Association and its employees contribute to the MPP, a jointly trustee 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 approximately 227,000 active members and 118,000 retired members. Active members include approximately 217 contributors from the Association.

The most recent valuation for the MPP as at December 31, 2021, indicated a \$3.761 billion funding surplus for basic pension benefits on a going concern basis. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The next valuation will be as at December 31, 2024, with results available in 2025.

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 \$1,330,356 for employer contributions to the MPP in fiscal 2023 (2022 - \$1,237,393).

15. Expenses by object:

	2023	2022
Compensation and benefits	\$ 19,442,309	\$ 17,130,798
Bursary program	4,154,955	13,252,032
Legal and professional	3,684,364	2,894,120
Rental - office and equipment	1,979,301	1,768,965
Office and information technology	1,551,149	1,224,719
Travel and accommodation -		
Rural locum program	1,437,479	1,645,677
Assessor and candidate costs - PRA-BC	1,131,594	1,239,455
Travel and meetings	620,074	150,244
Amortization	524,968	543,257
Loss on write-off of tangible capital assets	373,772	-
Arbitration and hearing costs	254,129	107,530
Staff training, research and memberships	195,607	204,751
Recruiting and relocation	195,147	134,089
GST - unrecoverable	82,823	80,507
	<u>\$ 35,627,671</u>	<u>\$ 40,376,144</u>

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

16. Financial risk management:

(a) Fair values:

The Association's financial instruments include cash, restricted cash, accounts receivable and accounts payable and accrued liabilities. These financial instruments are carried at amortized cost.

(b) Credit risk:

The Association has limited exposure to credit risk associated with its cash, restricted cash, and accounts receivable. The Association is not exposed to significant credit risk as the receivables are due from governments. Cash and restricted cash are held with reputable financial institutions and the Province of British Columbia's Central Deposit Program, from which management believes the risk of loss to be remote. The Association's maximum exposure to credit risk is limited to the carrying amount of these balances in the financial statements.

(c) Liquidity risk:

The Association does not have significant liquidity risk as it has sufficient cash to meet its liabilities as they come due. Liquidity risk is the risk that the Association will not meet its financial obligations as they become due. The Association manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to meet its liabilities when due. Accounts payable and accrued liabilities are all due within one year.

(d) The Association is not subject to any significant market risks, including interest rate or foreign currency risks, related to its financial instruments.

There have been no significant changes to risk exposures from the prior year.

17. 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:

	2023	2022
Bargained trust funds – Nurses Bargaining Association	\$ 44,169,424	\$ 30,207,915
Bargained trust funds - Facilities Bargaining Association	8,138,533	7,666,524
Bargained trust funds - Community Bargaining Association	2,756,374	2,122,489
BC Health Care Occupational Health and Safety Society	2,000,000	-
Bargained trust funds - Health Science Professionals Bargaining Association	1,425,332	1,054,017
BC College of Nurses and Midwives	562,000	-
Bargained trust funds - Ambulance Paramedics & Ambulance Dispatchers Bargaining Association	407,243	301,153
Bargained trust funds - Resident Doctors of BC	61,199	90,339
Benefit Payment	-	15,000,000
	<u>\$ 59,520,105</u>	<u>\$ 56,442,437</u>

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2023

17. Trusts under administration (continued):

The Province authorized the following funds to be held under administration before March 31. The funds have not yet been received as at fiscal year end:

	2023	2022
Benefit cost pressure	\$ 92,970,000	\$ -
OHS modernization	30,000,000	-
Joint community benefits trust	15,000,000	-
Registration Fees	10,250,000	-
Bargained trust funds – NBA	4,000,000	2,000,000
Bargained trust funds – CBA	1,239,000	-
Bargained trust funds – HSPBA		3,000,000
BC College of Nurses and Midwives		1,000,000
	<u>\$ 153,459,000</u>	<u>\$ 6,000,000</u>

18. Disclosure of remuneration:

For the year ending March 31, 2023, the Association paid total remuneration (including taxable benefits) of \$1,948,354 (2022 - \$1,896,556) 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 \$31,000 (2022 - \$30,500) to the Chair of the Board of Directors.

19. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications did not have any impact on annual surplus or accumulated surplus.