

Financial Statements of

**HEALTH EMPLOYERS ASSOCIATION
OF BRITISH COLUMBIA**

And Independent Auditor's Report thereon

Year ended March 31, 2024



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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, 2024;
- 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, 2024 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.

Chartered Professional Accountants

Vancouver, Canada
June 7, 2024

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023 (amended – note 20)
Financial assets:		
Cash	\$ 4,736,422	\$ 9,560,412
Restricted cash (note 4)	56,297,372	49,278,547
Accounts receivable	6,498,317	2,123,642
	<u>67,532,111</u>	<u>60,962,601</u>
Liabilities:		
Accounts payable and accrued liabilities (note 13)	4,022,501	3,540,732
Deferred operating contributions (note 5)	56,297,372	49,438,547
Deferred capital contributions (note 6)	5,330,551	5,522,831
Deferred lease liability (note 7)	1,694,323	1,844,161
Retirement benefit liability	292,905	233,661
	<u>67,637,652</u>	<u>60,579,932</u>
Net financial assets (debt)	(105,541)	382,669
Non-financial assets:		
Tangible capital assets (note 8)	2,947,498	2,927,262
Prepaid expenses	785,843	317,869
	<u>3,733,341</u>	<u>3,245,131</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:

R. Lynn Stevenson Director

Kathy MacNeil Director

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations and Accumulated Surplus

Year ended March 31, 2024, with comparative information for 2023

	2024 Budget (notes 2(i) and 19)	2024	2023 (amended – note 20)
Revenue:			
Provincial government funding	\$ 19,664,000	\$ 11,578,942	\$ 10,926,736
Service fees	50,000	348,535	298,281
Interest	1,656,000	8,467,149	3,417,114
	<u>21,370,000</u>	<u>20,394,626</u>	<u>14,642,131</u>
Restricted funding from deferred operating contributions (note 5)	51,085,779	29,822,060	21,022,082
Amortization of deferred capital contributions (note 6)	192,280	192,280	192,280
	<u>72,648,059</u>	<u>50,408,966</u>	<u>35,856,493</u>
Expenses (note 15):			
Operations:			
Legal services, negotiations and labour relations	9,505,414	7,693,791	7,088,805
Collective bargaining and related expenses	3,813,445	4,279,792	685,698
Executive services and board governance	1,824,608	3,340,590	1,564,881
Research and analytics	3,505,044	3,053,594	2,684,085
Compensation services	1,543,853	1,183,698	846,580
Finance and administration	615,344	887,249	1,035,994
General	483,720	499,924	552,869
Occupational health and safety	192,960	488,161	375,499
Expenses from ongoing operations	<u>21,484,388</u>	<u>21,426,799</u>	<u>14,834,411</u>
Managed programs:			
Recruitment Solutions - Managed bursary programs	27,174,800	8,913,512	4,154,955
Recruitment solutions other	10,040,771	8,534,653	7,019,110
Physician services	3,735,520	3,752,467	3,416,049
Practice ready assessment BC	4,686,924	3,725,639	2,423,685
Locums for rural BC	2,883,167	2,377,027	2,469,290
BC care aide and community health worker registry	1,115,873	930,960	772,140
Collective bargaining and related expenses	1,023,900	411,415	517,345
Health cross jurisdictional labour relations database	424,824	336,494	249,508
Expenses from other managed programs	<u>51,085,779</u>	<u>28,982,167</u>	<u>21,022,082</u>
Total expenses from operations	<u>72,570,167</u>	<u>50,408,966</u>	<u>35,856,493</u>
Annual surplus	77,892	-	-
Accumulated surplus, beginning of year	3,627,800	3,627,800	3,627,800
Accumulated surplus, end of year	<u>\$ 3,705,692</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, 2024, with comparative information for 2023

	2024 Budget (notes 2(i) and 19)	2024	2023
Annual surplus	\$ 77,892	\$ -	\$ -
Acquisition of tangible capital assets (note 8)	-	(527,109)	(283,511)
Loss on disposal of tangible capital assets (note 8)	-	6,950	373,772
Amortization of tangible capital assets (note 8)	-	499,923	524,968
Acquisition of prepaid expenses	-	(602,150)	(207,557)
Use of prepaid expenses	-	134,176	294,676
Change in net financial assets (debt)	77,892	(488,210)	702,348
Net financial assets (debt), beginning of year	382,669	382,669	(319,679)
Net financial assets (debt), end of year	\$ 460,561	\$ (105,541)	\$ 382,669

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
		(amended – note 20)
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets (note 8)	499,923	524,968
Amortization of deferred lease liability (note 7)	(149,838)	(226,185)
Amortization of deferred capital contributions (note 6)	(192,280)	(192,280)
Loss on disposal of tangible capital assets (note 8)	6,950	373,772
	164,755	480,275
Changes in non-cash operating working capital:		
Accounts receivable	(4,374,675)	33,796,349
Accounts payable and accrued liabilities	481,769	546,502
Deferred operating contributions	6,858,825	(2,274,351)
Deferred lease liability	-	60,104
Retirement benefit liability	59,244	68,282
Prepaid expenses	(467,974)	87,119
	2,721,944	32,764,280
Capital activities:		
Acquisition of tangible capital assets (note 8)	(527,109)	(283,511)
Investing activities:		
Increase in restricted cash	(7,018,825)	(32,555,649)
Decrease in cash	(4,823,990)	(74,880)
Cash, beginning of year	9,560,412	9,635,292
Cash, end of year	\$ 4,736,422	\$ 9,560,412

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2024

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, 2024

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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. 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:

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.

Revenues from transactions with performance obligations such as fees are recognized when (at a point in time) or as (over a period of time) the Association satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

Revenues from transactions without performance obligations are recognized at realizable value when the Association has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

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, 2024

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, 2024

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 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, 2024 (2023 - nil). As a result, the Association does not have a statement of remeasurement 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 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 amended budget approved by the Board of Directors on November 24, 2023 (note 19).

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

2. Significant accounting policies (continued):

(j) Asset retirement obligation:

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 amount capitalized in tangible capital assets is amortized using the amortization accounting policy outline in note 2(e).

The carrying value of the liability is re-evaluated at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligation liability and tangible capital assets. The estimate of the asset retirement obligation of \$44,352 (2023 - \$31,451) has been recorded as a liability included in accounts payable and accrued liabilities as at March 31, 2024.

3. Adoption of new accounting standards:

- (a) On April 1, 2023, the Association adopted Canadian Public Sector Accounting Standard PS 3400, Revenue ("PS 3400"). The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at March 31, 2024, the Association determined that the adoption of this new standard did not have an impact of the amounts presented in the financial statements.
- (b) On April 1, 2023, the Association adopted Public Sector Guideline PSG-8, Purchased Intangibles, applied on a prospective basis ("PSG-8"). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed the impact of adopting PSG-8 and found that at present no such items meet the criteria to be recognized as a purchased intangible.

4. Restricted cash:

Restricted cash are funds held for the purposes of deferred operating contributions as described in note 5.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

5. Deferred operating contributions:

	2024	2023 (amended – note 20)
Balance, beginning of year	\$ 49,438,547	\$ 51,712,898
Provincial government and other funding received (a)	29,481,895	17,976,470
Funds received and transferred to collective bargaining (b)	7,889,930	2,754,909
Funds received and transferred to trust under administration	(244,000)	-
Funds transferred to accounts payable	(474,000)	(2,000,000)
Interest earned	27,060	16,352
	86,119,432	70,460,629
Less: amounts recognized as revenue	(29,822,060)	(21,022,082)
Balance, end of year (c)	\$ 56,297,372	\$ 49,438,547

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

	2024	2023
Recruitment solutions	\$ 9,238,934	\$ 5,075,680
Collective bargaining related	400,000	1,484,001
Physician services	3,217,089	3,100,880
Locums for rural BC	2,395,893	2,771,051
Practice ready assessment BC	7,545,483	2,561,986
Recruitment solutions – Managed bursary programs	5,150,000	1,774,800
BC care aide and community health worker registry	1,087,735	781,860
Health cross jurisdictional labour relations database	446,761	426,212
	\$ 29,481,895	\$ 17,976,470

(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.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

5. Deferred operating contributions (continued):

(c) The balance of deferred operating contributions is restricted for the following purposes:

	2024	2023 (amended – note 20)
Recruitment solutions - Managed bursary programs	\$ 19,421,534	\$ 29,395,347
Collective bargaining related	12,930,840	7,905,588
Recruitment solutions	10,745,872	3,831,289
Cyber security upgrade	3,600,000	3,600,000
Physician services	2,386,694	1,626,701
Health Match BC support	1,000,000	1,000,000
Practice ready assessment BC	4,574,870	727,966
Health cross jurisdictional labour relations database	835,357	725,091
Locums for rural BC	565,645	546,779
BC care aide and community health worker registry	236,560	79,786
	\$ 56,297,372	\$ 49,438,547

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.

	2024	2023
Balance, beginning of year	\$ 1,922,831	\$ 2,115,111
Amortization during the year	(192,280)	(192,280)
Contributions used to purchase tangible capital assets (note 9)	1,730,551	1,922,831
Contributions granted not yet spent (i)	3,600,000	3,600,000
Balance, end of year	\$ 5,330,551	\$ 5,522,831

(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:

	2024	2023
Deferred tenant inducement	\$ 1,348,542	\$ 1,498,379
Deferred rent liability	345,781	345,782
	\$ 1,694,323	\$ 1,844,161

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

8. Tangible capital assets:

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at March 31, 2023	\$ 128,746	\$ 1,058,219	\$ 2,368,250	\$ 3,363,444	\$ 6,918,659
Additions	-	-	512,824	14,285	527,109
Disposals	-	(37,418)	(672,364)	-	(709,782)
	128,746	1,020,801	2,208,710	3,377,729	6,735,986
Accumulated amortization:					
As at March 31, 2023	103,133	705,980	2,065,026	1,117,258	3,991,397
Additions	5,122	70,170	198,584	226,047	499,923
Disposals	-	(30,468)	(672,364)	-	(702,832)
	108,255	745,682	1,591,246	1,343,305	3,788,488
Net book value, March 31, 2024	\$ 20,491	\$ 275,119	\$ 617,464	\$ 2,034,424	\$ 2,947,498

	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

9. Accumulated surplus:

	2024	2023
Invested in tangible capital assets:		
Tangible capital assets (note 8)	\$ 2,947,498	\$ 2,927,262
Less: Spent deferred capital contributions (note 6)	(1,730,551)	(1,922,831)
	1,216,947	1,004,431
Unrestricted	2,410,853	2,623,369
	\$ 3,627,800	\$ 3,627,800

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

10. Line of credit:

The Association has an operating line of credit of \$250,000, bearing interest at Royal Bank of Canada prime rate, which is unsecured and repayable on demand. This line of credit has an outstanding balance of nil at March 31, 2024 (2023 - 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.

(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 premises and vehicle. Minimum future lease payments as at March 31, 2024 exclusive of operating costs, are as follows:

Lease commitments	Premises	Vehicle	Total
2025	\$ 1,337,112	\$ 16,543	\$ 1,353,655
2026	1,337,112	16,543	1,353,655
2027	1,337,112	-	1,337,112
2028	1,337,112	-	1,337,112
2029	1,432,620	-	1,432,620
Thereafter	5,730,480	-	5,730,480
	\$ 12,511,548	\$ 33,086	\$ 12,544,634

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).

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

12. Contractual obligations and contingencies (continued):

(b) 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 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.

2025	\$ 368,928
2026	368,928
2027	368,928
2028	368,928
2029	232,830
Thereafter	931,320
	<hr/>
	\$ 2,639,862

The Association received \$204,589 (2023 – \$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. \$122,753 (2023 - \$136,392) remain as the unamortized amount as at March 31, 2024 and is included in accounts payable and accrued liabilities.

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. As at December 31, 2022, the MPP has approximately 240,000 active members and 124,000 retired members. Active members include approximately 267 contributors from the Association.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

14. Pension plan (continued):

The most recent valuation for the MPP as at December 31, 2021, indicated a \$3,761 million 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 \$1,681,119 for employer contributions to the MPP in fiscal 2024 (2023 - \$1,330,356).

15. Expenses by object:

	2024	2023
Compensation and benefits	\$ 24,663,953	\$ 19,664,802
Bursary program	8,913,512	4,154,955
Legal and professional	4,679,829	3,684,364
Grant expense	3,675,000	-
Office and information technology	1,989,140	1,551,175
Rental – office and equipment	1,783,650	1,981,299
Assessor and candidate costs – PRA-BC	1,661,613	1,131,594
Travel and accommodation - rural locum program	1,331,729	1,437,479
Travel and meetings	506,847	624,379
Amortization	499,924	524,968
Staff training, research and memberships	249,149	195,607
Arbitration and hearing costs	184,260	254,129
Recruiting and relocation	142,084	195,147
GST – unrecoverable	121,326	82,823
Loss on write-off of tangible capital assets	6,950	373,772
	<u>\$ 50,408,966</u>	<u>\$ 35,856,493</u>

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.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

16. Financial risk management (continued):

(b) Credit risk:

The Association has limited exposure to credit risk associated with its cash, restricted cash, and accounts receivable. The Association's receivables are with government and other related entities, and 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) Market risk:

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:

	2024	2023 (amended – note 20)
Occupational Health and Safety ("OHS") Management System Modernization	\$ 30,000,000	\$ -
Bargained trust funds – Nurses Bargaining Association ("NBA")	19,160,405	43,026,889
Bargained trust funds – Facilities Bargaining Association	7,807,124	7,810,482
Bargained trust funds – Community Bargaining Association ("CBA")	3,296,927	2,710,104
BC Health Care Occupational Health and Safety Society	-	2,000,000
Bargained trust funds - Health Science Professionals Bargaining Association	1,861,500	1,400,000
BC College of Nurses and Midwives	-	562,000
Bargained trust funds - Ambulance Paramedics & Ambulance Dispatchers Bargaining Association	500,000	400,000
Bargained trust funds – Resident Doctors of BC	90,000	60,000
	<u>\$ 62,715,956</u>	<u>\$ 57,969,475</u>

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

17. Trusts under administration (continued):

The Province authorized the following funds to be held under administration before March 31, 2024. The funds have not yet been received by the Association as at fiscal year end:

	2024	2023
BC College of Nurses and Midwives	\$ 1,150,000	\$ -
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
Bargained trust funds – CBA	-	1,239,000
	\$ 1,150,000	\$ 153,459,000

18. Disclosure of remuneration:

For the year ending March 31, 2024, the Association paid total remuneration (including taxable benefits) of \$20,128,367 to the employees of the Association, and to persons under a contract for services with the Association, whose remuneration was at least \$75,000.

The Association also paid total remuneration of \$41,256 (2023 - \$31,000) to the Chair of the Board of Directors.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

19. Budget:

The original budget was approved by the board on March 3, 2023 while collective bargaining was underway. On November 24, 2023, after conclusion of collective bargaining, the board approved an amended budget that included additional funding and expenses to support implementation of the new collective agreements. The changes are as follows:

	Budget approved March 3, 2023	Additions	Budget approved Nov 24, 2023
Revenue:			
Provincial government funding	\$ 15,819,000	\$ 3,845,000	\$ 19,664,000
Service fees	50,000	-	50,000
Interest	1,656,000	-	1,656,000
	17,525,000	3,845,000	21,370,000
Restricted funding from deferred operating contributions	51,085,779	-	51,085,779
Amortization of deferred capital contributions	192,280	-	192,280
	68,803,059	3,845,000	72,648,059
Expenses:			
Operations:			
Legal services, negotiations and labour relations	8,860,160	645,254	9,505,414
Collective bargaining and related expenses	950,780	2,862,665	3,813,445
Executive services and board governance	1,824,608	-	1,824,608
Research and analytics	3,273,730	231,314	3,505,044
Compensation services	1,455,650	88,203	1,543,853
Finance and administration	597,780	17,564	615,344
General	483,720	-	483,720
Occupational health and safety	192,960	-	192,960
Expenses from ongoing operations	17,639,388	3,845,000	21,484,388
Managed programs:			
Recruitment Solutions - Managed bursary programs	27,174,800	-	27,174,800
Recruitment solutions other	10,040,771	-	10,040,771
Physician services	3,735,520	-	3,735,520
Practice ready assessment BC	4,686,924	-	4,686,924
Locums for rural BC	2,883,167	-	2,883,167
BC care aide and community health worker registry	1,115,873	-	1,115,873
Collective bargaining and related expenses	1,023,900	-	1,023,900
Health cross jurisdictional labour relations database	424,824	-	424,824
Expenses from other managed programs	51,085,779	-	51,085,779
Total expenses from operations	68,725,167	3,845,000	72,570,167
Annual surplus	77,892	-	77,892
Accumulated surplus, beginning of year	3,627,800	-	3,627,800
Accumulated surplus, end of year	\$ 3,705,692	\$ -	\$ 3,705,692

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

20. Amendment of comparative financial information:

During the current fiscal year, the Association received confirmation from the Province that it is entitled to all interest income earned since inception on all funds provided by the provincial government and other government related entities as applicable, including funds which are held under administration by the Association (note 17). The Association has previously not recorded the interest income earned on the funds under administration in its financial statements. Hence, the Association has made a correction to the financial statements on a retroactive basis to record the interest income and a corresponding deferral of provincial government contributions. The financial statements as at and for the year ended March 31, 2023 have accordingly been amended as follows:

	As previously stated	Amendment	As amended
Statement of Financial Position			
Cash	\$ 11,246,694	\$ (1,686,282)	\$ 9,560,412
Restricted cash	47,592,265	1,686,282	49,278,547
Accounts receivable	437,360	1,686,282	2,123,642
Deferred operating contributions	47,752,265	1,686,282	49,438,547
Statement of Operations and Accumulated Surplus			
Provincial government funding	12,026,003	(1,099,267)	10,926,736
Interest revenue	2,317,847	1,099,267	3,417,114
Statement of Cash Flows			
Changes in non-cash operating working capital:			
Accounts receivable	34,895,616	(1,099,267)	33,796,349
Deferred operating contributions	(3,373,618)	1,099,267	(2,274,351)
Increase in restricted cash	(31,456,382)	(1,099,267)	(32,555,649)
Increase (decrease) in cash	1,024,387	(1,099,267)	(74,880)
Cash, beginning of year	10,222,307	(587,015)	9,635,292
Cash, end of year	11,246,694	(1,686,282)	9,560,412
Note 5 - Deferred operating contributions			
Balance, beginning of year	51,125,883	587,015	51,712,898
Funds received and transferred to collective bargaining	1,655,642	1,099,267	2,754,909
Note 5 (c) - Deferred operating contributions			
Collective bargaining related	6,219,306	1,686,282	7,905,588
Note 17 - Trusts under administration			
Bargained trust funds			
Nurses Bargaining Association	44,169,424	(1,142,535)	43,026,889
Facilities Bargaining Association	8,138,533	(328,051)	7,810,482
Community Bargaining Association	2,756,374	(46,270)	2,710,104
Health Science Professionals Bargaining Association	1,425,332	(25,332)	1,400,000
Ambulance Paramedics & Ambulance Dispatchers Bargaining Association	407,243	(7,243)	400,000
Resident Doctors of BC	61,199	(1,199)	60,000

There was no impact to annual surplus or accumulated surplus as a result of this amendment.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2024

21. 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 the annual surplus or accumulated surplus.