Financial Statements

Provincial Capital Commission

March 31, 2013

PROVINCIAL
CAPITAL
COMMISSION

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PROVINCIAL CAPITAL COMMISSION

Provincial Capital Commission
Financial Statements

Year Ended March 31, 2013

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Provincial Capital Commission (the Commission) are the responsibility of the Commission's management and have been prepared in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. A summary of the significant accounting policies are described in Note 2 to the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. These systems are monitored and evaluated by management.

Grant Thornton LLP has performed an independent audit of the financial statements of the Commission. The Independent Auditors' Report outlines the scope of the audit and expresses an opinion on the financial statements of the Provincial Capital Commission.

Rick Crosby

Richard Crosby, C.G.A.
Acting Chief Executive and Operating Officer

Victoria, British Columbia
May 15, 2013

Independent auditors' report

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To the members of the Board of Directors of the Provincial Capital Commission, and
To the Minister of Community, Sport and Cultural Development, Province of British Columbia

We have audited the accompanying financial statements of the Provincial Capital Commission, which comprise the financial position as at March 31, 2013 and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Provincial Capital Commission as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the financial statement which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 15 to the financial statements disclose the impact of these differences.

Grant Thornton LLP

Victoria, Canada
May 15, 2013

Chartered Accountants

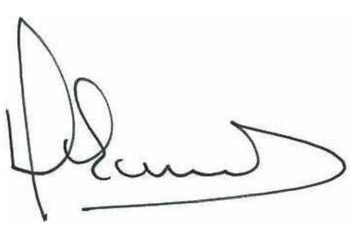
Provincial Capital Commission
Statement of Financial Position

March 31	**2013**	2012
Financial assets		
Cash and cash equivalents (Note 3)	**$ 1,505,768**	$ 1,523,804
Accounts receivable	**90,733**	88,732
Due from government organizations (Note 4)	**14,579**	27,338
	1,611,080	1,639,874
Liabilities		
Accounts payable and accrued liabilities	**224,807**	235,698
Due to government organizations (Note 4)	**140,066**	77,142
Deferred revenue	**98,029**	157,086
Deferred operating contributions (Note 5)	**422,873**	523,977
Deferred capital contributions (Note 6)	**6,894,673**	7,233,210
	7,780,448	8,227,113
Net financial debt	**(6,169,368)**	(6,587,239)
Non-financial assets		
Tangible capital assets (Note 7)	**21,745,441**	22,063,736
Prepaid expenses	**93,680**	89,886
	21,839,121	22,153,622
Accumulated surplus (Note 8)	**$ 15,669,753**	$ 15,566,383

See accompanying notes to the financial statements:

- Commitments (Note 11)
- Contingency (Note 12)

On behalf of the Board:



David Everett
Chair, Board of Directors

William Norton
Chair, Finance and Audit Committee

Provincial Capital Commission
Statement of Operations

Year ended March 31	Plan 2013	**Actual 2013**	Actual 2012
	(Note 2)		
Revenue			
Commercial activities:			
Tenants	$ 2,050,000	**$ 2,045,611**	$ 1,825,810
Parking lots	700,000	**683,175**	671,273
St Ann's Academy	125,000	**135,526**	114,882
Contributions:			
Operating (Note 5)	50,000	**101,104**	33,062
Capital (Note 6)	300,000	**292,937**	210,666
Investment income	25,000	**25,004**	34,534
	3,250,000	**3,283,357**	2,890,227
Expenses (Note 9)			
Outreach programs	1,050,000	**1,080,276**	1,082,464
Properties	1,800,000	**1,721,268**	1,740,999
Corporate support and governance	400,000	**378,443**	405,401
	3,250,000	**3,179,987**	3,228,864
Annual surplus (deficit)	-	**103,370**	(338,637)
Accumulated surplus:			
Beginning of year	15,566,383	**15,566,383**	15,905,020
End of year	$ 15,566,383	**$ 15,669,753**	$ 15,566,383

See accompanying notes to the financial statements

Provincial Capital Commission
Statement of Changes in Net Debt

Year ended March 31	Plan 2013	**Actual 2013**	Actual 2012
	(Note 2)		
Annual (deficit) surplus	$ -	**$ 103,370**	$ (338,637)
Tangible capital assets:			
Acquisition of tangible capital assets	(450,000)	**(268,361)**	(2,997,347)
Amortization of tangible capital asset	600,000	**586,656**	464,094
	150,000	**421,665**	(2,871,890)
Prepaid expenses:			
Acquisition of prepaid expenses	(120,000)	**(93,680)**	(128,399)
Use of prepaid expenses	120,000	**89,886**	119,287
	-	**(3,794)**	(9,112)
Decrease (increase) in net financial debt	150,000	**417,871**	(2,881,002)
Net financial debt:			
Beginning of year	(6,587,239)	**(6,587,239)**	(3,706,237)
End of year	$ (6,437,239)	**$ (6,169,368)**	$ (6,587,239)

See accompanying notes to the financial statements

Provincial Capital Commission
Statement of Cash Flows

Year ended March 31	**2013**	2012
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus (deficit)	**$ 103,370**	$ (338,637)
Non-cash items		
Deferred contributions revenue	**(439,641)**	(289,328)
Amortization expense	**586,656**	464,094
Change in non-cash working capital (Note 13)	**(60)**	562,128
Net change in cash from operating activities	**250,325**	398,257
Capital activities		
Cash used to acquire tangible capital assets	**(268,361)**	(2,997,347)
Capital contributions received	**-**	2,065,730
Net change in cash from capital activities	**(268,361)**	(931,617)
Net decrease in cash and cash equivalents	**(18,036)**	(533,360)
Cash and cash equivalents, beginning of year	**1,523,804**	2,057,164
Cash and cash equivalents, end of year	**$ 1,505,768**	$ 1,523,804

See accompanying notes to the financial statements

1. Nature of operations

The Commission, established in 1956, operates under authority of the *Capital Commission Act* of British Columbia and is governed by an appointed board of directors. Eight directors are appointed through Order in Council by the province, and six are appointed by the four core municipalities within the Capital Regional District. As a crown corporation, the Commission is accountable to the provincial government of British Columbia. The Commission is exempt from federal and provincial income taxes.

Its mandate is to connect and celebrate the Capital with every British Columbian through the delivery of outreach and engagement programs. The Commission is also responsible for the stewardship of its property inventory, which includes preservation of owned heritage buildings and green space properties located along the Trans Canada Highway view corridor to the Capital. Revenues from property assets are used to fund core business activities on a self-sustaining basis.

The corporate head office is located at 613 Pandora Avenue in Victoria.

2. Summary of significant accounting policies

(a) 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. This Section requires that the financial statements be prepared in accordance with Canadian public sector accounting standards except in regard to the accounting for government transfers as set out in Note 15.

(b) Deferred contributions

Contributions received through government transfers for the acquisition of depreciable capital assets are recorded as deferred contributions and are recognized as revenue in the statement of operations equal to the amortization expense on related depreciable capital assets. This approach complies with section 23.1 of the *Budget Transparency and Accountability Act*.

(c) Cash and cash equivalents

The Commission considers all highly liquid investments purchased with a maturity of three months or less as of the date of acquisition to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks, and highly liquid short-term investments.

2. Summary of significant accounting policies (continued)

(d) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

Fair value: Portfolio investments that are quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is recorded as an expense. Unrealized gains and losses on financial assets are recognized in the statement of re-measurement gains and losses until such time that the financial assets are de-recognized due to disposal or impairment. At that time of de-recognition, the related realized gains and losses are recognized in the statement of operations and accumulated surplus and related balances are reversed from the statement of re-measurement gains and losses.

Cost: Gains and losses are recognized in the Statement of Operations and Accumulated Surplus when the financial asset is de-recognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investment.

(e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Contributed tangible capital assets are recorded at fair value when the fair value can be reasonably determined. If the fair value cannot be reasonably determined the Commission will record the contributed tangible capital asset at $1. This applies to park land and green space, and the contribution of St. Ann's Academy, a nationally designated historical site, which has been recorded at $1.

Amortization of tangible capital assets is calculated on a straight-line basis over the assets' estimated useful lives at the following rates:

	Years
Buildings and improvements	31 - 40
Wharves	10
Furniture and equipment	5
Computer hardware and software	3
Specialized equipment	20

Assets under construction are not amortized until the asset is available for productive use.

Individual capital assets within a class having a low threshold value and expected shorter useful life may be amortized at an accelerated rate.

If the asset or contribution singly or in combination equal to or greater than $50,000, then the asset is capitalized at gross acquisition cost and the external contribution is to be deferred and amortized on the same basis as the amortization of the related capital asset. The amortization of the deferred revenue and the amortization expense offset each other.

2. Summary of significant accounting policies (continued)

(e) Tangible capital assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value.

(f) Revenue recognition

Revenue received under tenant lease agreements and from future development sites currently used as parking lots are recorded on an accrual basis. Tenant income includes base rent, licence fees and additional rent under lease agreements for building operating expenses, amortization of specialized equipment and property management.

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

- Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or 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 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.

- Contributions restricted for specific purposes other than for 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 contribution has been met.

Investment income includes interest recorded on an accrual basis and realized gains and losses on the sale of investments, and write-downs on investments where the loss is determined to be other than temporary.

(g) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates of amortization, impairment of assets, contingencies and commitments.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

2. Summary of significant accounting policies (continued)

(h) Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. The Commission has provided definitions of segments used as well as presented financial information in segmented format in Note 9.

(i) Employee future benefit plans

The Commission and its employees make contributions to the Public Service Pension Plan. This plan is a multi-employer defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. These contributions are expensed as incurred.

(j) Restrictions of accumulated surplus

Certain amounts, as approved by the Board of Directors, are set aside for future operating and capital purposes. Please see Note 8 to the financial statements for more information on amounts approved as restrictions to the accumulated surplus.

(k) 2013 Plan

2013 Plan amounts have been reported for comparison to actual results and have been derived from the Provincial Capital Commission Service Plan 2012/13 – 2014/15 approved by the Board of Directors of the Commission on January 24, 2012.

3. Cash and cash equivalents

	2013	2012
Cash	**$ 229,786**	$ 155,461
Cash equivalents	**1,275,982**	1,368,343
	$ 1,505,768	$ 1,523,804

4. Due from/to government organizations

		2013		2012
Due from:				
Federal government	**$**	**14,579**	$	27,338
Due to:				
Federal government	**$**	**38,672**	$	11,753
Provincial government		**101,394**		63,776
Other government organizations		**-**		1,613
	$	**140,066**	$	77,142

In addition to the amounts reported as due from (to), the Commission had the following transactions with the Province and its related entities:

- In 2011 and 2012 the Province provided a total of $3 million in capital contributions for the Steamship Terminal seismic upgrade and rehabilitation project. In 2011, $1.5 million was approved through the Canada-British Columbia Infrastructure Stimulus Fund Agreement. An additional $1.5 million was provided in 2012 was authorized by OIC 171/11.

- Insurance premiums of $131,399 (2012: $135,357) were paid to the Ministry of Finance, Risk Management Branch, net of $107,619 (2012: $99,433) recovered from the Ministry of Labour, Citizens' Services and Open Government (MLCS) for St. Ann's Academy.

- Rent revenue of $39,600 (2012: $39,600) was received from MLCS relating to St. Ann's Academy. In return a total of $94,441 (2012 $84,377) was paid to MLCS for St. Ann's Academy common operating expenses.

- In 2013, the Commission contracted with MLCS through Shared Services BC to support commercial real estate and property management functions for assigned properties. Total expenses for all services this year, including direct operating and maintenance costs managed on behalf of the Commission, were $540,330 (2012: Nil). In 2012, the Commission also paid $125,229 (2013: Nil) in capitalized project management services for the Steamship Terminal project.

- The Province acts as fiscal agent for the Commission and also provides personnel and payroll services. Total service charges were $11,369 (2012: $11,123).

5. Deferred operating contributions

Transport Canada provided $1.5 million in cash in December 2001 for the continued operation of the Belleville Port Facility. The contribution is restricted for eligible expenses to operate the port, as described in the Transport Canada Contribution Agreement dated December 4, 2001. The original agreement stipulated that any unused funds must be returned to Transport Canada after ten years (December 2011). During the 2012 fiscal year, the agreement was amended to indicate that any unused funds must be returned to Transport Canada by March 31, 2014.

		2013		2012
Opening balance	**$**	**523,977**	$	557,039
Less: Revenue recognized for eligible expenses		**101,104**		33,062
Ending balance	**$**	**422,873**	$	523,977

6. Deferred capital contributions

Deferred capital contributions represent assets received through contribution or donation from the Province of British Columbia, Transport Canada, Commission tenants and other third parties. Significant events are as follows:

- In December 2001 Transport Canada under a divestiture agreement contributed $2 million in existing land, buildings and wharves to the Commission for the continued operation of the Belleville Port Facility. The agreement contains a number of provisions including limits to the Commission's ability to dispose of assets and mutual early termination with any unexpended amount of the contribution shall be repayable to Canada.

  The land contribution of $1,556,000 was recorded as an increase to investment in the accumulated surplus. The balance of $444,000 for buildings and wharves, plus an additional $145,750 spent on wharf improvements in 2006 and $259,474 in 2011, has been recorded as deferred capital contributions and recognized as revenue on the same basis as the annual amortization expense. Revenue in the current year is $56,896 (2012: $51,623).

- In 2005, the Commission received $1,450,000 from the Province of British Columbia for remediation of the Crystal Garden. The amount was recorded as a deferred capital contribution and annual revenue matches the asset amortization expense. Revenue in the current year was $57,350 (2012: $57,350).

- In 2005/06, a tenant contribution of $676,845 was received for capital upgrades to the Crystal Garden. Under terms of the current lease agreement with the City of Victoria, the amount recorded as revenue in the current year was $45,600 (2012: $45,600). The remaining contribution balance at March 31, 2013 was $145,718 (2012: $191,318).

6. **Deferred capital contributions** (continued)

- In 2009, a tenant contribution of $89,425 was received for refurbishment of the Blackball Ferry Line wharf. Annual revenue is $8,943 (2012: $8,943).

- In fiscal 2011 and 2012, the Commission received contributions from the Province of British Columbia and the federal government for the Steamship Terminal seismic upgrade and rehabilitation project. As of March 31, 2013, total provincial and federal contributions were $3,000,000 and $1,500,000, respectively. Annual revenue in 2013 is $76,999 (2012: Nil).

- The balance of deferred capital contributions includes the net book value of the Crystal Garden and other buildings transferred from the Province in prior years. Annual revenue is $92,750.

	2013	2012
Opening balance	**$ 7,233,210**	$ 5,423,746
Additions:		
Steamship Terminal Project	**-**	2,065,730
	7,233,210	7,489,476
Less amounts recognized as revenue:		
Federal – Belleville Port Facility	**56,896**	51,623
Federal – Steamship Terminal	**25,656**	-
Province of British Columbia – contributed assets	**159,042**	159,043
Province of British Columbia – Steamship Terminal	**51,343**	-
	292,937	210,666
Tenant contribution – Crystal Garden	**45,600**	45,600
	338,537	256,266
Ending balance	**$ 6,894,673**	$ 7,233,210

7. Tangible capital assets

Cost	Balance at March 31 2012	Additions	Disposals	**Balance at March 31 2013**
Land	$ 9,831,221	$ -	$ -	**$9,831,221**
Buildings	15,280,388	135,100	-	**15,415,488**
Wharves	1,241,939	53,067	-	**1,295,006**
Furniture and equipment	314,030	34,826	-	**348,856**
Specialized equipment	791,419	45,368	-	**836,787**
St. Ann's Academy	619,667	-	-	**619,667**
Total	$28,078,664	$ 268,361	$ -	**$28,347,025**

Accumulated amortization	Balance at March 31 2012	Disposals	Amortization expense	**Balance at March 31 2013**
Buildings	$ 4,800,700	$ -	$ 347,664	**$5,148,364**
Wharves	538,156	-	121,402	**659,558**
Furniture and equipment	271,458	-	58,770	**330,228**
Specialized equipment	193,706	-	43,330	**237,036**
St. Ann's Academy	210,908	-	15,490	**226,398**
Total	$ 6,014,928	$ -	$ 586,656	**$6,601,584**

Net book value	Balance at March 31 2012	**Balance at March 31 2013**
Land	$ 9,831,221	**$9,831,221**
Buildings	10,479,687	**10,267,124**
Wharves	703,782	**635,448**
Furniture and equipment	42,572	**18,628**
Specialized equipment	597,715	**599,751**
St. Ann's Academy	408,759	**393,269**
Total	$22,063,736	**$21,745,441**

The Commission's property holdings within the Capital Regional District include heritage buildings, inner harbour ferry terminals and development sites that are currently used as temporary parking lots, parklands and green space. The current assessed value for property tax purposes of Commission properties: land, buildings and wharves, totals $120.2 million (2012: $118.1 million).

7. Tangible capital assets (continued)

Cuthbert Holmes Park, totalling 8.0 hectares, has been leased to the Corporation of the District of Saanich for a period of 99 years for $1, expiring December 31, 2086.

St. Ann’s Academy, excluding the Chapel and Interpretative Centre, is leased for 51 years, expiring in 2048, to MLCS on behalf of the Province of British Columbia, for $10, in exchange for building renovations completed in 1996. During the lease period, MLCS is responsible for property management and capital maintenance of the building. At the end of the lease term all tenant improvements become property of the Commission.

The Steamship Terminal Seismic Upgrade and Rehabilitation Project was completed in the fall of 2011. In fiscal 2013, an additional $135,100 was invested in scheduled building maintenance. As at March 31, 2013, a total of $4,913,007 (2012:$4,777,907) was recorded under Buildings and Specialized Equipment. Amortization expense commenced September 1, 2012, consistent with the effective date of the head lease with the Greater Victoria Harbour Authority.

In February 2013, the Province of British Columbia announced an Incremental Treaty Agreements with five Vancouver Island First Nations. Under the agreement, Provincial Capital Commission property at 613 Pandora Avenue in Victoria will be transferred in the future to the Songhees Nation, subject to terms of the Agreement. The net book value of land and buildings at March 31, 2013 is $390,000.

As part of Budget 2013, the provincial government announced its intent to generate revenue through the Release of Assets for Economic Generation initiative over the next two fiscal years. In March 2013, surplus Commission lands in the City of Langford were approved by the Board and Order in Council 157/13 for inclusion within the scope of this province-wide initiative.

8. Accumulated surplus

At the discretion of the board of directors, the Commission may restrict the accumulated surplus for specific uses. This includes but is not limited to board approved special program initiatives, and capital projects over $200,000 that are required under the *Capital Commission Act* to be approved by Order in Council. At March 31, 2012, total restrictions of $500,000 for the Steamship Terminal project had been authorized by the Board and Orders in Council 288/10 and 171/11. At March 31, 2013, $70,000 (2012: $222,092) remains restricted for additional Commission funded building work in 2013/14.

9. Segmented information

Segmented information has been identified based upon functional lines of service provided by the Commission. Expenses are presented by core business activity. A description of each core business activity is summarized below:

Outreach programs
Outreach expenses and administration includes employee salaries and benefits, purchased services and professional support, administrative expenses and an allocation for head office operating expenses. Income received from the rental of facilities at St. Ann's Academy is reported as revenue.

Properties
Expenses include operating expenses and asset amortization associated with revenue producing heritage buildings, inner harbour ferry terminal facilities and development sites currently used as temporary parking lots, and park land and green space properties. Operating expenses include but are not limited to repairs, maintenance, utilities and insurance. In tenant occupied buildings, the lease agreements provide for payment of additional rent for common area operating expenses incurred by the Commission. Property management and administration expenses include employee salaries and benefits, professional support including legal, property management and accounting services, administrative expenses, and an allocation for head office operating expenses.

Corporate support and governance
Expenses include board and committee meetings, employee salaries and benefits, professional services and administrative expenses for corporate operations and governance support, including operating expenses for the head office at 613 Pandora Avenue. A portion of head office operating expenses is allocated to Programs and Properties as determined by management using a formula appropriate to the type of cost.

Expenses by Object	Outreach Programs	Properties	Corporate Support and Governance	**2013 Total**	2012 Total
Property operating expenses	$ 112,756	$ 859,066	$ 49,982	**$ 1,021,804**	$ 916,315
Salaries and benefits	450,218	192,373	218,054	**860,645**	844,177
Amortization	15,492	505,466	65,698	**586,656**	464,094
Professional services	-	52,960	69,572	**122,532**	404,594
Outreach program contributions	363,698	-	-	**363,698**	392,075
Office and business	18,112	29,403	145,159	**192,674**	163,923
Board and committees	-	-	31,978	**31,978**	43,686
	960,276	1,639,268	580,443	**3,179,987**	3,228,864
Corporate overhead transfer	120,000	82,000	(202,000)	**-**	-
	$ 1,080,276	$ 1,721,268	$ 378,443	**$ 3,179,987**	$ 3,228,864

10. Employee future benefit plans

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) determined the Plan had an unfunded liability. As a result, the Public Service Pension Board of Trustees will implement a contribution rate increase of 0.40% each, for plan members and employers to meet the funding requirements of the *Pension Benefits Standards Act*. The increase in rates went into effect April 1, 2012.

Contributions to the Plan by the Commission were $63,914 (2012: $50,425).

The Commission also contributes through the provincial government payroll system for employer funded health care, employment and termination benefits as provided for under collective agreements and terms of employment. For 2012/13, the benefits contribution was 23.0% (2012: 23.0%) of salary costs. The Commission's total benefit expense for the year was $151,559 (2012: $148,770).

11. Commitments

At March 31, 2013, the Commission has commitments under various agreements as follows:

- Outreach Programs: projected commitments under the Student Travel Subsidy program total $188,000 (2012: $185,000). Student Travel Subsidy expenses are subject to completion of approved travel plans to the Capital by school groups in the 2012/13 fiscal year.

- Operating leases: the Commission has two operating leases for office equipment. One agreement runs to July 2013 with an annual commitment of $7,500. The other expires in July 2014 with an annual commitment of $5,812.

- Capital Assets: the Commission has $70,000 committed to the Greater Victoria Harbour Authority to complete additional work to the Steamship Terminal in 2013/14 as a restriction of accumulated surplus.

12. Contingency

At March 31, 2012, the Commission has one outstanding third party injury claim incurred on Commission owned properties. The potential liability for this claim is uncertain and cannot be estimated at this time. The Commission carries common general liability insurance to mitigate its financial exposure.

13. Supplemental cash flow information

	2013	2012
Change in non-cash operating and investing working capital		
Accounts receivable	**$ (2,001)**	$ (25,833)
Due from government organizations	**12,759**	1,001,251
Accounts payable and accrued liabilities	**(10,891)**	(500,724)
Due to government organizations	**62,924**	(13,095)
Deferred revenue	**(59,057)**	109,641
Prepaid expenses	**(3,794)**	(9,112)
	$ (60)	$ 562,128

14. Financial risk management

In the normal course of operations, the Commission is exposed to a number of risks that can affect its operating performance. The management of the Commission along with its board of directors monitors the Commission's risk through periodic review. These risks and the action taken to manage them are as follows:

Interest rate risk
The Commission has investments included in cash and cash equivalents. These investments are short term and are therefore not subject to large fair market value changes caused by changes in interest rates.

Credit risk
Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfil their lease commitments. The Commission mitigates the risk of credit loss by attracting and retaining quality tenants, diversification of the tenant mix, and through lease indemnification measures.

15. Impact of Accounting for Government Transfers in Accordance with Section 23.1 of the *Budget Transparency and Accountability Act*

As noted in the significant accounting policies, Section 23.1 of the *Budget Transparency and Accountability Act* and its related regulations require the Corporation to recognize government transfers for capital assets into revenue on the same basis as the related amortization expense.

The Commission has properly accounted for the transfers that do contain stipulations that create a liability in accordance with Canadian public sector accounting standards.

For the transfers that do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants be fully recognized into revenue. The impact of this difference on the financial statements of the Commission for the transfers that do not contain stipulation that create liability is as follows:

- April 1, 2011: increase in accumulated surplus and decrease in deferred contributions by $4,470,750.
- Year ended March 31, 2012: increase in annual surplus by $1,915,629.
- March 31, 2012: increase in accumulated surplus and decrease in deferred contributions by $6,386,378.
- Year ended March 31, 2013: decrease in annual surplus by $227,098.
- March 31, 2013: increase in accumulated surplus and decrease in deferred contributions by $6,159,279.