

Financial Statements of

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Year ended December 31, 2014

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Financial Statements

Year ended December 31, 2014

	Page
Management's Responsibility for the Financial Statements	3
Independent Auditors' Report	4
Statement of Financial Position	6
Statement of Operations	7
Statement of Change in Net Financial Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10

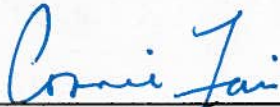
Management's Responsibility for the Financial Statements

The accompanying financial statements of British Columbia Assessment Authority (the "Authority") are the responsibility of the Authority's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for public sector organizations established by the Public Sector Accounting Board of the Chartered Professional Accountants. A summary of the significant accounting policies is described in note 2 of the accompanying notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

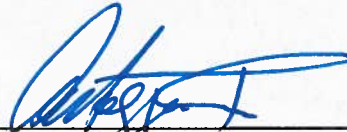
The Authority's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Audit and Risk Management Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Grant Thornton LLP, independent external auditors appointed by the Authority. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Authority's financial statements.



Connie Fair
President and Chief Executive Officer



Andy Hoggarth
Vice President and Executive Financial Officer

Victoria, British Columbia, Canada

Independent Auditors' Report

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To the Board of Directors of British Columbia Assessment Authority, and
To the Minister of Community, Sport and Cultural Development, Province of British Columbia

We have audited the accompanying financial statements of British Columbia Assessment Authority, which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net financial assets, 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 and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Assessment Authority as at December 31, 2014 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, Canada
April 10, 2015



Chartered accountants

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Financial Position

As at December 31

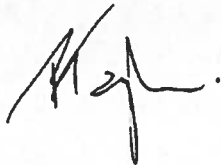
(In thousands of dollars)

	2014	2013
Financial Assets:		
Cash and cash equivalents (note 3)	\$ 34,749	\$ 34,500
Accounts receivable	1,521	1,778
Accounts receivable from provincial government	331	314
	<u>36,601</u>	<u>36,592</u>
Liabilities:		
Accounts payable and accrued liabilities	3,765	4,791
Accounts payable due to provincial government	594	1,278
Employee benefits and other liabilities (note 4)	8,353	9,454
Lease inducements	4,048	4,188
Capital lease obligations (note 5)	472	652
	<u>17,232</u>	<u>20,363</u>
Net financial assets	19,369	16,229
Non-financial assets:		
Tangible capital assets (note 6)	13,526	13,225
Prepaid expenses	1,216	1,389
	<u>14,742</u>	<u>14,614</u>
Accumulated surplus (note 7)	\$ 34,111	\$ 30,843

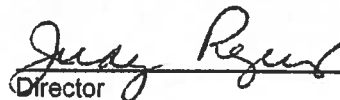
Commitments (note 8)

The accompanying notes are an integral part of these financial statements.

Approved On Behalf of the Board of Directors:



Director



Director

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Operations

Year ended December 31
(In thousands of dollars)

	Budget (note 10)	2014	2013
Revenues:			
Tax levies	\$ 83,482	\$ 83,777	\$ 82,085
Data access services	3,355	3,489	3,559
Payments in lieu of taxes	850	1,005	954
First Nations	600	630	613
Investment income	290	343	356
Other	10	315	321
Gain on disposal of tangible capital assets	-	19	35
	88,587	89,578	87,923
Expenses:			
Employee expenses	58,983	58,004	56,303
Information and communications technology	7,914	8,519	9,119
Office premises	6,427	6,155	6,463
Appeal costs (note 9)	3,890	2,852	3,046
Amortization	3,837	3,530	3,962
Corporate and office	3,728	3,223	3,364
Travel	2,151	2,113	1,698
Assessment notice printing and postage	1,657	1,914	1,678
Total expenses	88,587	86,310	85,633
Annual surplus	-	3,268	2,290
Accumulated surplus, beginning of year	30,843	30,843	28,553
Accumulated surplus, end of year	\$ 30,843	\$ 34,111	\$ 30,843

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Change in Net Financial Assets

Year ended December 31
(In thousands of dollars)

	Budget (note 10)	2014	2013
Annual surplus	\$ -	\$ 3,268	\$ 2,290
Acquisition of tangible capital assets	(6,336)	(3,831)	(2,372)
Amortization of tangible capital assets	3,837	3,530	3,962
Gain on sale of tangible capital assets	-	(19)	(35)
Proceeds on sale of tangible capital assets	-	19	35
	(2,499)	2,967	3,880
Change in prepaid expenses	-	173	(257)
Change in net financial assets	(2,499)	3,140	3,623
Net financial assets, beginning of year	16,229	16,229	12,606
Net financial assets, end of year	\$ 13,730	\$ 19,369	\$ 16,229

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Cash Flows

Year ended December 31
(In thousands of dollars)

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,268	\$ 2,290
Items not involving cash (note 12)	2,270	4,318
Change in non-cash assets and liabilities (note 12)	(1,297)	2,021
Net change in cash from operating activities	4,241	8,629
Capital activities:		
Proceeds on sale of tangible capital assets	19	35
Acquisition of tangible capital assets	(3,831)	(2,339)
Net change in cash from capital activities	(3,812)	(2,304)
Financing activities:		
Capital leasing used to acquire tangible capital assets	-	(33)
Principal payments on capital lease obligations	(180)	(145)
Net change in cash from financing activities	(180)	(178)
Net change in cash and cash equivalents	249	6,147
Cash and cash equivalents, beginning of year	34,500	28,353
Cash and cash equivalents, end of year	\$ 34,749	\$ 34,500

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

1. Nature of Operations

The British Columbia Assessment Authority (the "Authority") was established in 1974 as an independent Crown corporation by the Province of British Columbia by enactment of the *Assessment Authority Act*. The purpose of the Authority is to establish and maintain assessments that are uniform in the whole of the province in accordance with the *Assessment Authority Act*. The Authority is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) standards. Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

The Authority follows the accrual method of accounting for revenues and expenses. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Financial instruments

Financial instruments are accounted for in accordance with Public Sector Accounting Standard 3450. Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, all of which are reported at amortized cost.

(c) Revenues:

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenues.

Tax levies: The Authority, each year by by-law and subject to the prior approval of the Lieutenant Governor in Council, imposes and levies a tax upon all taxable real property in the province, but excluding property that is taxable for school purposes only by special Act. A copy of this by-law is forwarded to the Tax Collector of every municipality in the province and to the Surveyor of Taxes in order that the taxes levied will be placed on the tax rolls. The proceeds of the taxes levied and collected by the municipalities or the Minister of Finance constitutes the Authority's tax levy revenue. This revenue is recognized equally across all periods in the year.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

(c) *Revenues (continued):*

Other revenue: Other revenue includes revenue from data access services, payments in lieu of taxes, contracts with First Nations, and other miscellaneous revenue. Data access revenue and other miscellaneous revenue are recognized when earned, while payments in lieu of taxes and First Nations revenue are recognized equally across all periods throughout the year.

Investment: Investment revenue includes interest on deposits in banks, and earnings generated by short-term investments, and are reported as revenue in the period earned.

(d) Property leasehold improvement inducements:

Lease inducements include cash payments, tenant improvement allowances, reduced rent and rent free periods. The lease inducement benefits are amortized on a straight-line basis over the term of the lease.

(e) Cash equivalents:

Cash equivalents include liquid investments that can be redeemed on demand without penalty. Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is not a temporary decline in value, the respective investment is written down to recognize the loss.

(f) Employee future benefits:

(i) The Authority and its employees make contributions to the Public Service Pension Plan. This plan is a multi-employer defined benefit plan providing a pension at 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.

(ii) Retirement and other future benefits are also available to the Authority's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long-term inflation rates and discount rates. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

2. Significant accounting policies (continued):

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Buildings	20
Property assessment software	10 to 15
Enterprise software	5
Furniture and equipment	5
Motor vehicles	5
Computer equipment	3
Productivity and other software	3 to 5
Leasehold improvements	Equal to the lease term
Leased equipment	Equal to the lease term

Amortization is performed on a straight-line basis, and is dependent on the value and timing of each purchase transaction, and when each asset was available for productive use. Software under development is not amortized until it is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations.

(i) Leased tangible capital assets

Leases that transfer substantially all the 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.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, the useful life of capital assets and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

3. Cash and cash equivalents:

	2014	2013
Cash	\$ 3,559	\$ 1,062
Cash Equivalents (notes 2(e))	31,190	33,438
Total	\$ 34,749	\$ 34,500

4. Employee benefits and other liabilities:

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2014	2013
Employee future benefits	\$ 3,554	\$ 3,464
Employee past benefits	2	6
Other Liabilities	4,797	5,984
Total	\$ 8,353	\$ 9,454

Other liabilities include outstanding payables for employer remittances, accrued salaries, vacation, and overtime.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

4. Employee benefits and other liabilities (continued):

Employees' past benefits:

At the time the Authority was formed, it negotiated an agreement with those designated employees whose previous working agreements contained clauses that called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

Employees' future benefits:

Outside of the Public Service Pension Plan, the Authority annually accrues the future obligation under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. These retirement benefit plans include a retirement allowance, unearned vacation entitlement, and death benefits. An independent actuarial valuation of the post-employment benefits obligation and net periodic benefit cost was calculated at December 31, 2014 using management's estimates of salary escalation and expected retirement ages. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to the Authority.

Information about the Authority's retirement benefit plans is as follows:

Accrued benefit obligation:	2014	2013
Balance, beginning of the year	\$ 3,464	\$ 3,390
Current benefit cost	272	285
Interest	119	101
Benefits paid	(306)	(331)
Amortization of Loss	5	19
Balance, end of year	\$ 3,554	\$ 3,464
Actuarial benefit obligation:		
Accrued benefit obligation	\$ 3,554	\$ 3,464
Unamortized actuarial loss	148	39
Balance, end of year	\$ 3,702	\$ 3,503

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

4. Employee benefits and other liabilities (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued benefit obligations are as follows:

	2014	2013
Discount rate	3.68%	3.30%
Expected future inflation rate	1.50%	1.50%
Expected productivity and seniority increases	1.10% to 3.65%	1.10% to 3.65%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. Actual benefit payments in 2014 differing from expected resulted in a loss of \$16,000. Additionally, an adjustment to the opening obligation resulting from a revision to the actual benefit payments made in 2013 resulted in a net gain of \$18,000. Overall, this created a net actuarial gain at December 31, 2014 of \$2,000.

The unamortized actuarial loss on future payments is amortized over the estimated average service lives of the employees which is 12 years.

Other pension plans:

The Authority 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, 2014) determined the Plan had a surplus of \$392 million. The contribution rates have remained unchanged since April 1, 2012.

Contributions to the Plan by the Authority were \$4,165 in 2014 and \$3,945 in 2013.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

5. Capital lease obligations:

The Authority has entered into capital leases for certain office equipment. The minimum lease payment obligations are as follows:

For Year:	2014	2013
2014	\$ -	\$ 304
2015	304	304
2016	291	252
Subtotal	595	860
Less amount representing interest at 5% per annum	(123)	(208)
Present value of net minimum capital lease payments	\$ 472	\$ 652

Interest of \$123 in 2014 and \$120 in 2013 relating to capital lease obligations has been included in expenses on the Statement of Operations.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

6. Tangible capital assets:

(a) Changes to tangible capital asset categories during year:

Cost	December 31			December 31
	2013	Additions	Disposals	2014
Land	\$ 354	\$ -	\$ -	\$ 354
Buildings	2,519	-	-	2,519
Furniture and equipment	5,550	660	-	6,210
Computer equipment	9,952	1,067	-	11,019
Motor vehicles	1,738	106	(83)	1,761
Leasehold improvements	6,447	670	-	7,117
Leased equipment	1,183	-	-	1,183
Property assessment software	14,696	-	-	14,696
Enterprise and productivity software	3,734	-	-	3,734
Software under development	354	1,328	-	1,682
Total	\$ 46,527	\$ 3,831	\$ (83)	\$ 50,275

Accumulated amortization	December 31		Amortization	December 31
	2013	Disposals	expense	2014
Land	\$ -	\$ -	\$ -	\$ -
Buildings	2,100	-	124	2,224
Furniture and equipment	4,350	-	589	4,939
Computer equipment	8,701	-	602	9,303
Motor vehicles	1,534	(83)	90	1,541
Leasehold improvements	1,837	-	569	2,406
Leased equipment	661	-	228	889
Property assessment software	11,857	-	690	12,547
Enterprise and productivity software	2,262	-	638	2,900
Software under development (note 6(b))	-	-	-	-
Total	\$ 33,302	\$ (83)	\$ 3,530	\$ 36,749

Net book value	December 31		December 31
	2013		2014
Land	\$ 354		\$ 354
Buildings	419		295
Furniture and equipment	1,200		1,271
Computer equipment	1,251		1,716
Motor vehicles	204		220
Leasehold improvements	4,610		4,711
Leased equipment	522		294
Property assessment software	2,839		2,149
Enterprise and productivity software	1,472		834
Software under development	354		1,682
Total	\$ 13,225		\$ 13,526

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

6. Tangible capital assets (continued):

(b) Software under development:

Software development projects can often span multiple fiscal periods. Software under development does not contain any projects which have been terminated or placed on hold indefinitely. Software under development is not amortized as it represents the costs incurred to date on projects, which are not substantially complete at the end of the fiscal year, which is in accordance with Public Sector Accounting Standard 3450.42(b).

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

Accumulated Surplus:	2014	2013
Equity:		
Equity invested in tangible capital	\$ 13,053	\$ 12,573
Unappropriated	1,790	2,270
	14,843	14,843
Reserves:		
Future tangible capital asset acquisitions	16,268	13,000
Operating	3,000	3,000
	19,268	16,000
Accumulated surplus, end of year	\$ 34,111	\$ 30,843

Certain amounts are set aside in accumulated surplus for future financial obligations and the purchase of tangible capital assets. One hundred percent of the 2014 operating surplus of \$3,268 has been applied to the reserve for future tangible capital asset acquisitions in accordance with Board direction.

Future tangible capital assets reserve: the purpose of this reserve is to help stabilize the financing requirements of large fluctuations in capital spending from one year to the next. Certain high value tangible capital assets such as property assessment software have long term economic usefulness. This reserve assists in the financing of these expenditures to limit the impact to revenue requirements in those years.

Operating reserve: the purpose of this reserve is to finance an unintended deficit. Unintended deficits would be caused largely by unexpected changes in revenues or costs for items that are outside management's control.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

8. Commitments:

The Authority is committed to make payments under operating leases and contracts as follows:

Commitments:	2014	2013
2014	\$ -	\$ 12,712
2015	12,286	9,591
2016	9,584	9,487
2017	7,789	8,124
2018	5,834	5,775
2019	4,105	4,218
2020-2027	21,052	21,659
Total Commitments	\$ 60,650	\$ 71,566

9. Appeal costs:

Appeal costs include the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board, both operated independently by the Province of British Columbia, and legal costs incurred by the Authority. By legislation, the Authority is required to reimburse the Province for the Review Panel and Appeal Board costs which amounted to \$2,267 in 2014 and \$2,428 in 2013.

10. Budget data:

The 2014 operating and capital budgets approved by the Board on December 6, 2013 have been provided for comparison purposes.

11. Related party transactions:

The Authority is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, and all public sector organizations such as school districts, colleges, universities, and health authorities that are included in the provincial government reporting entity. In addition, transactions with senior management, directors, immediate family members of senior management and directors, and companies with which any of the above have a financial interest are also considered related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

11. Related party transactions (continued):

The Statement of Operations includes the following transactions with related parties of the Province of British Columbia:

	2014	2013
Revenue:		
Other revenue	\$ 2,863	\$ 3,532
Expenses:		
Appeal costs	2,267	2,428
Information and communication technology	1,172	894
Employee expenses	1,106	1,370
Office premises	480	482
Corporate and office	261	115
Assessment notice printing and postage	100	108
Travel	52	51
Assets (liabilities) at December 31 with related parties		
Assets - Motor Vehicles	108	-
Accounts receivable	331	314
Accounts payable	(594)	(1,278)

The Authority contracts the disposal of surplus property, plant and equipment to the Province of British Columbia. Sale proceeds net of disposal costs were \$26 in 2014 and \$35 in 2013.

12. Summary of Cash flow management:

Items not involving cash, reported on the statement of cash flows, are made up of the following:

Items not involving cash:	2014	2013
Amortization	\$ 3,530	\$ 3,962
Change in lease inducements	(140)	476
Gain on sale of tangible capital assets	(19)	(35)
Change in employee benefits and other liabilities	(1,101)	(85)
Total items not involving cash	\$ 2,270	\$ 4,318

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

12. Summary of cash flow management (continued):

Change in non-cash assets and liabilities, reported on the statement of cash flows, are made up of the following:

Change in non-cash assets and liabilities:	2014	2013
Accounts receivable	\$ 240	\$ (13)
Accounts payable and accrued liabilities	(1,710)	2,291
Prepaid expenses	173	(257)
Total change in non-cash assets and liabilities	\$ (1,297)	\$ 2,021

13. Financial risk management:

In the normal course of operations, The Authority is exposed to a number of risks that can affect its operating performance. The Authority has exposure to the following risks from its use of financial instruments: credit risk, market risk, currency risk, interest rate risk, and liquidity risk. Management and the Board of the Authority ensure that the Authority identifies and monitors its risks. It is management's opinion that the authority is not exposed to significant risks arising from these financial instruments.

Credit risk: Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise primarily from certain assets held consisting of cash, cash equivalents and accounts receivable. The Authority is exposed to credit risk in the event of non-performance by a customer. This risk is mitigated because 80% of accounts receivable are current; therefore, management does not consider it to be impaired. It is management's opinion that the Authority is not exposed to significant credit risk associated with cash and cash equivalents as they are placed with the British Columbia Investment Management Corporation in highly liquid units of a Canadian Money Market Fund.

Market risk: Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk: Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the Authority is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2014
(In thousands of dollars)

13. Financial risk management (continued):

Interest rate risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Authority is exposed to interest rate risk through its cash equivalents. It is management's opinion that the Authority is not exposed to significant interest rate risk as they invest solely in short term treasury bills that have a maturity date of no more than 91 days from date of acquisition.

Liquidity risk: Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they become due.