



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2017 and the Statements of Operations, Remeasurement Gains and Losses, Change 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.

Auditor's 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 auditor's 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 Partnerships British Columbia Inc. as at March 31, 2017 and its results of operations, changes in remeasurement gains and losses, net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 25, 2017

Partnerships British Columbia Inc.
Statement of Financial Position
As at March 31, 2017 and 2016

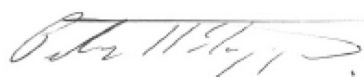
	March 31, 2017	March 31, 2016
Financial assets		
Cash	\$ 11,445,072	\$ 10,757,214
Accounts receivable (Note 3)	2,126,764	1,490,723
Portfolio investments (Note 4)	4,305,283	4,274,020
Total Financial Assets	<u>17,877,119</u>	<u>16,521,957</u>
Liabilities		
Accounts payable & accrued liabilities (Note 5)	988,220	684,106
Total Liabilities	<u>988,220</u>	<u>684,106</u>
Net financial assets	<u>16,888,899</u>	<u>15,837,851</u>
Non-financial assets		
Prepaid expenses	112,991	74,762
Tangible capital assets (Note 7)	126,247	144,773
Total Non-financial Assets	<u>239,238</u>	<u>219,535</u>
Accumulated surplus	<u>\$ 17,128,137</u>	<u>\$ 16,057,386</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 17,118,885	\$ 16,050,414
Accumulated remeasurement gains	9,250	6,970
Share capital (Note 8)	2	2
	<u>\$ 17,128,137</u>	<u>\$ 16,057,386</u>

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

APPROVED ON BEHALF OF THE BOARD



D. Hayden, Chair



P. Kappel, Director

Partnerships British Columbia Inc.
Statement of Operations
For the Years Ended March 31, 2017 and 2016

	Budget	March 31,	March 31,
	(Note 13)	2017	2016
Revenue			
Work fees	\$ 8,055,520	\$ 7,424,776	\$ 6,494,918
Interest income	140,000	140,848	144,641
Total Revenues	8,195,520	7,565,624	6,639,559
Expenses			
Administration	258,000	250,185	230,935
Amortization	72,603	72,486	64,742
Building occupancy	559,734	559,833	563,855
Corporate relations	60,000	21,070	56,353
Information systems	288,400	309,801	271,869
Professional services	297,000	183,910	261,887
Salaries and benefits	5,655,768	4,946,116	4,537,195
Travel	143,000	153,752	111,915
Total Expenses	7,334,505	6,497,153	6,098,751
Reimbursable costs			
Project recoveries	1,850,000	2,922,454	1,231,264
Less: Project expenses	(1,850,000)	(2,922,454)	(1,231,264)
Net reimbursable costs	-	-	-
Annual operating surplus	861,015	1,068,471	540,808
Accumulated operating surplus, beginning of year	16,050,414	16,050,414	15,509,606
Accumulated operating surplus, end of year	\$ 16,911,429	\$ 17,118,885	\$ 16,050,414

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

Partnerships British Columbia Inc.
Statement of Remeasurement Gains and Losses
For the Years Ended March 31, 2017 and 2016

	March 31, 2017	March 31, 2016
Accumulated remeasurement gains, beginning of year	<u>\$ 6,970</u>	<u>\$ 8,465</u>
Plus: Unrealized gains attributable to: Portfolio investments	31,409	29,547
Less: Amounts reclassified to the Statement of Operations: Portfolio investments	<u>(29,129)</u>	<u>(31,042)</u>
Net remeasurement gains (losses) for the year	<u>2,280</u>	<u>(1,495)</u>
Accumulated remeasurement gains, end of year	<u><u>\$ 9,250</u></u>	<u><u>\$ 6,970</u></u>

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

Partnerships British Columbia Inc.
Statement of Changes in Net Financial Assets
For the Years Ended March 31, 2017 and 2016

	Budget	March 31,	March 31,
	(Note 13)	2017	2016
Annual operating surplus	\$ 861,015	\$ 1,068,471	\$ 540,808
Acquisition of tangible capital assets	(52,500)	(53,960)	(58,844)
Amortization of tangible capital assets	72,603	72,486	64,742
	<u>20,103</u>	<u>18,526</u>	<u>5,898</u>
Additions to prepaid expenses	-	(281,791)	(191,046)
Use of prepaid expenses	(2,723)	243,562	188,323
	<u>(2,723)</u>	<u>(38,229)</u>	<u>(2,723)</u>
Effect of remeasurement gains (losses) for the year	-	2,280	(1,495)
Increase in net financial assets for the year	878,395	1,051,048	542,488
Net financial assets, beginning of year	<u>15,837,851</u>	<u>15,837,851</u>	<u>15,295,363</u>
Net financial assets, end of year	<u>\$ 16,716,246</u>	<u>\$ 16,888,899</u>	<u>\$ 15,837,851</u>

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

Partnerships British Columbia Inc.
Statement of Cash Flows
For the Years Ended March 31, 2017 and 2016

	March 31, 2017	March 31, 2016
Operating transactions		
Annual operating surplus	\$ 1,068,471	\$ 540,808
Non-cash item included in surplus:		
Amortization of tangible capital assets	72,486	64,742
	<u>1,140,957</u>	<u>605,550</u>
Changes in operating accounts		
Accounts receivable	(636,041)	4,025
Prepaid expenses	(38,229)	(2,723)
Accounts payable and accrued liabilities	304,114	(125,441)
	<u>(370,156)</u>	<u>(124,139)</u>
Total operating transactions	<u>770,801</u>	<u>481,411</u>
Capital transactions		
Purchase of tangible capital assets	(53,960)	(58,844)
	<u>(53,960)</u>	<u>(58,844)</u>
Investing transactions		
Increase in portfolio investments, net	(28,983)	(30,905)
	<u>(28,983)</u>	<u>(30,905)</u>
Net increase in cash for the year	687,858	391,662
Cash, beginning of year	<u>10,757,214</u>	<u>10,365,552</u>
Cash, end of year	<u>\$ 11,445,072</u>	<u>\$ 10,757,214</u>

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

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

1. Nature of Operations

Partnerships British Columbia Inc. (“Partnerships BC” or the “Organization”) is a company owned by the Province of British Columbia (the “Province”) and is governed by a Board of Directors reporting to its sole Shareholder; the Minister of Finance. The Organization was incorporated under the British Columbia Business Corporations Act in May 2002. It has two issued shares, both are held by the Minister of Finance.

The Organization’s vision is to be a recognized leader in evaluating, structuring, and implementing delivery solutions for complex public infrastructure while delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Organization’s core business is to:

- Provide specialized services in the procurement of major public projects, ranging from advice to business cases, procurement management, and implementation.
- Provide advice on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia’s and other jurisdictions’ base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Organization’s clients are public sector agencies, including ministries, Crown corporations, local and statutory authorities in British Columbia and other Provinces, and local governments. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act*.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

2. Summary of Significant Accounting Policies

a. Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (“PSAS”) using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. Portfolio investments

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized as remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

Interest attributable to financial instruments is reported in the Statement of Operations.

c. Employee future benefits

The employees of Partnerships BC belong to the Public Service Pension Plan (the “Plan”), which is a multi-employer joint trustee plan. This Plan is a 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 and the provision of post-retirement health benefits are contingent upon available funding.

The joint Board of Trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

g. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Reimbursable project expenses are expensed when services are performed or when costs are incurred.

h. Measurement uncertainty

The preparation of financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization, and the impairment of tangible capital assets.

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. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

3. Accounts Receivable

	March 31, 2017	March 31, 2016
Revenues receivable	\$ 2,117,264	\$ 1,481,559
Accrued interest	9,500	9,164
	\$ 2,126,764	\$ 1,490,723

There was no provision for doubtful accounts required as at March 31, 2017 and 2016.

Included in accounts receivable are the following amounts receivable from government and other government organizations.

	March 31, 2017	March 31, 2016
Provincial governments	\$ 1,387,148	\$ 1,142,442
Other government organizations	696,479	69,170
	\$ 2,083,627	\$ 1,211,612

4. Portfolio Investments

	March 31, 2017	March 31, 2016
Fair market value	\$ 4,305,283	\$ 4,274,020
Less: Original cost	(4,296,033)	(4,267,050)
Unrealized gain	\$ 9,250	\$ 6,970

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bcIMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2016, the fund had an annualized return of 0.7 percent (2015: 0.9 percent).

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

5. Accounts Payable and Accrued Liabilities

	March 31, 2017	March 31, 2016
Accounts payables and accrued liabilities	\$ 597,207	\$ 366,360
Salaries and benefits payable	168,252	150,306
Accrued vacation pay	222,761	167,440
	\$ 988,220	\$ 684,106

6. Employee Future Benefits

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. BC 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. As such, no pension liability for this type of plan is included in the financial statements.

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and salary. The maximum contribution rate for eligible employees was 9.43% (2016: 9.43%). Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2017, Partnerships BC contributed \$390,711 (2016: \$343,488) to the Plan. These contributions are the Organization's pension expense which is included under salaries and benefits expense.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2014 showed that the Plan had a surplus of \$194 million and is 101 percent funded as it had assets of \$20.472 billion and liabilities of \$20.278 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2017 with results available mid-2017.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2017 Total
Cost					
Opening Balance	\$ 87,177	\$ 404,539	\$ 139,957	\$ 408,408	1,040,081
Additions	-	50,193	3,767	-	53,960
Closing Balance	87,177	454,732	143,724	408,408	1,094,041
Accumulated Amortization					
Opening Balance	87,177	345,841	121,636	340,654	895,308
Amortization	-	45,760	10,320	16,406	72,486
Closing Balance	87,177	391,601	131,956	357,060	967,794
Net book value	\$ -	\$ 63,131	\$ 11,768	\$ 51,348	\$ 126,247

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2016 Total
Cost					
Opening Balance	\$ 87,177	\$ 372,107	\$ 138,495	\$ 383,458	\$ 981,237
Additions	-	32,432	1,462	24,950	58,844
Closing Balance	87,177	404,539	139,957	408,408	1,040,081
Accumulated Amortization					
Opening Balance	87,177	305,534	108,617	329,238	830,566
Amortization	-	40,307	13,019	11,416	64,742
Closing Balance	87,177	345,841	121,636	340,654	895,308
Net book value	\$ -	\$ 58,698	\$ 18,321	\$ 67,754	\$ 144,773

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

8. Share Capital

The authorized share capital is 5,000,000 common shares at no par value. There are two issued shares held by the Minister of Finance.

9. Expenses by Object

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

10. Related Party Transactions

Partnerships BC is related through common ownership to the Province's government ministries, agencies and Crown corporations. The majority of the Organization's clients are also the Province's government ministries, agencies and Crown corporations.

In the normal course of operations, Partnerships BC entered into transactions with the Province and certain Crown corporations, at prevailing market prices and credit terms.

Financial assets and liabilities with related parties as at March 31, 2017 and 2016 were:

	March 31, 2017	March 31, 2016
Accounts receivable	\$ 1,320,155	\$ 991,621
Accounts payable and accrued liabilities	\$ 78,114	\$ 68,172

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

11. Commitments

The Organization is committed to payments under operating leases for premises through 2023/24 as follows:

Year	Amount
2018	\$ 551,500
2019	498,757
2020	507,480
2021	522,724
2022	538,002
2023 and beyond	953,489
	<u>\$ 3,571,952</u>

The Organization's Vancouver and Victoria office leases are scheduled to expire on November 29, 2017 and August 31, 2017 respectively. New leases have been signed for Vancouver and Victoria, which expire on February 28, 2024 and August 31, 2023 respectively.

12. Risk Management

a. Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable, and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

b. Financial management risk objectives and policies

In the normal course of business, the Organization is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk, interest rate risk, and other price risk. There have been no changes to the risks the Organization is exposed to from the prior year.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

12. Risk Management (continued)

c. General objectives, policies and processes

The Audit and Risk Management Committee has overall responsibility for the determination of the Organization's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Organization to the Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

There have been no changes in the objectives, policies and processes for managing risk from the prior year.

d. Credit risk

Credit risk is the risk that the Organization's counterparties will fail to meet their financial obligations to the Organization, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Organization does not consider its exposure to credit risk to be material.

e. Liquidity risk

Liquidity risk is the risk that the Organization may be unable to generate or obtain sufficient cash in a timely and cost-effective manner to meet its commitments as they come due.

The Organization has in place a planning, budgeting and forecasting process to help determine the funds required to support the Organization's normal operating requirements. The Organization's annual Service Plan and budget are approved by the Board of Directors. The Organization also provides a quarterly forecast to the Audit and Risk Management Committee.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

12. Risk Management (continued)

f. Market risk

The Organization is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Organization is exposed are interest rate and other price risks.

i. Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Organization may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Organization manages its exposure to potential interest rate fluctuations in the short-term. The Organization has no interest bearing debt.

ii. Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Organization is exposed to price risk through its portfolio investments.

As at March 31, 2017, the Organization's total exposure to market risk is \$4,305,283. The Organization's best estimate of the effect on net assets as at March 31, 2017, due to a 5% increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of \$215,264 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Partnerships British Columbia Inc.
Notes to Financial Statements
For the Years Ended March 31, 2017 and 2016

12. Risk Management (continued)

g. Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

13. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors. These budgeted figures were included in the Organization's 2016/17 Service Plan.