Financial Statements

Provincial Capital Commission

March 31, 2012

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CAPITAL
COMMISSION

PROVINCIAL CAPITAL COMMISSION

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Financial Statements

Year Ended March 31, 2012

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.

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

Victoria, British Columbia
May 17, 2012

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, 2012, March 31, 2011 and April 1, 2010 and the results of operations, changes in net debt, and cash flows for the years ended March 31, 2012 and March 31, 2011, 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 of the Provincial Capital Commission for years ended March 31, 2012 and March 31, 2011 and the statement of financial position as at April 1, 2010 are prepared in all material respects 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 16 to the financial statements discloses the impact of these differences.

Grant Thornton LLP

Month/Day/Year Chartered Accountants

Provincial Capital Commission
Statement of Financial Position

As at	March 31 2012	March 31 2011	April 1 2010
			Restated (Note 3)
Financial assets			
Cash and cash equivalents (Note 4)	**$ 1,523,804**	$ 2,057,164	$ 2,335,905
Accounts receivable	**88,732**	62,899	56,828
Due from government organizations (Note 5)	**27,338**	1,028,589	30,000
	1,639,874	3,148,652	2,422,733
Liabilities			
Accounts payable and accrued liabilities	**235,698**	736,422	283,220
Due to government organizations (Note 5)	**77,142**	90,237	77,972
Deferred revenue	**157,086**	47,445	82,122
Deferred operating contributions (Note 6)	**523,977**	557,039	911,263
Deferred capital contributions (Note 7)	**7,233,210**	5,423,746	3,139,354
	8,227,113	6,854,889	4,493,931
Net financial debt	**(6,587,239)**	(3,706,237)	(2,071,198)
Non-financial assets			
Tangible capital assets (Note 8)	**22,063,736**	19,530,483	17,754,073
Prepaid expenses	**89,886**	80,774	89,287
	22,153,622	19,611,257	17,843,360
Accumulated surplus (Note 9)	**$ 15,566,383**	$ 15,905,020	$ 15,772,162

See accompanying notes to the financial statements:

- Commitments (Note 12)
- Contingency (Note 13)

On behalf of the Board:

Bill Wellburn, FCA
Chair, Board of Directors

David Everett
Chair, Finance and Audit Committee

Provincial Capital Commission
Statement of Operations

Year ended March 31	2012 Plan	**2012 Actual**	2011 Actual
	(Note 2)		
Revenue			
Commercial activities:			
Tenants	$ 1,915,000	**$ 1,825,810**	$ 2,140,916
Parking lots	740,000	**671,273**	696,030
St Ann's Academy	125,000	**114,882**	129,022
Contributions:			
Operating (Note 6)	75,000	**33,062**	94,750
Capital (Note 7)	300,000	**210,666**	198,753
Investment income	20,000	**34,534**	29,263
Gain on disposal of property	-	**-**	58,433
	3,175,000	**2,890,227**	3,347,167
Expenses (Note 10)			
Outreach programs	1,230,000	**1,082,464**	1,123,392
Properties	1,885,000	**1,740,999**	1,672,168
Corporate support and governance	460,000	**405,401**	418,749
	3,575,000	**3,228,864**	3,214,309
Annual (deficit) surplus	(400,000)	**(338,637)**	132,858
Accumulated surplus:			
Beginning of year	15,905,020	**15,905,020**	15,772,162
End of year	$ 15,505,020	**$ 15,566,383**	$15,905,020

See accompanying notes to the financial statements

Provincial Capital Commission
Statement of Changes in Net Debt

Year ended March 31	2012 Plan	**2012 Actual**	2011 Actual
	(Note 2)		
Annual (deficit) surplus	$ (400,000)	**$ (338,637)**	$ 132,858
Tangible capital assets:			
Acquisition of tangible capital assets	(2,575,000)	**(2,997,347)**	(2,239,262)
Amortization of tangible capital asset	600,000	**464,094**	462,852
Gain on sale of tangible capital asset	-	**-**	(58,433)
Proceeds on sale of tangible capital assets	-	**-**	58,433
	(2,375,000)	**(2,871,890)**	(1,643,552)
Prepaid expenses:			
Acquisition of prepaid expenses	(120,000)	**(128,399)**	(119,287)
Use of prepaid expenses	120,000	**119,287**	127,800
	-	**(9,112)**	8,513
Increase in net financial debt	(2,375,000)	**(2,881,002)**	(1,635,039)
Net financial debt:			
Beginning of year	(3,706,237)	**(3,706,237)**	(2,071,198)
End of year	$ (6,081,237)	**$ (6,587,239)**	$ (3,706,237)

See accompanying notes to the financial statements

Provincial Capital Commission
Statement of Cash Flows

Year ended March 31	**2012**	2011
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual (deficit) surplus	**$ (338,637)**	$ 132,858
Non-cash items		
Deferred contributions revenue	**(289,328)**	(339,103)
Amortization expense	**464,094**	462,852
Gain on sale of tangible capital asset	**-**	(58,433)
Change in non-cash working capital (Note 14)	**562,128**	(565,357)
Net change in cash from operating activities	**398,257**	(367,183)
Capital activities		
Proceeds on sale of tangible capital asset	**-**	58,433
Cash used to acquire tangible capital assets	**(2,997,347)**	(2,239,262)
Capital contributions received	**2,065,730**	2,269,271
Net change in cash from capital activities	**(931,617)**	88,442
Net decrease in cash and cash equivalents	**(533,360)**	(278,741)
Cash and cash equivalents, beginning of year	**2,057,164**	2,335,905
Cash and cash equivalents, end of year	**$ 1,523,804**	$ 2,057,164

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 of Greater Victoria. 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 16.

(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. However, this accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which prescribe that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished. See Note 16 for the impact of this policy on these financial statements.

(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	40
Specialized equipment	20
Wharves	10
Furniture and equipment:	
Office furniture and equipment	5
Machinery and mechanical equipment	5
Computer hardware and software	3

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

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 are less than their net book value.

2. Summary of significant accounting policies (continued)

(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, license 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 10.

(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 9 to the financial statements for more information on amounts approved as restrictions to the accumulated surplus.

(k) 2012 Plan

2012 Plan amounts have been reported for comparison to actual results and have been derived from the Provincial Capital Commission Service Plan approved by the Board of Directors of the Commission on January 28, 2011. Plan amounts have not been audited, and are presented only for information purposes.

3. Adoption of new financial reporting framework

Commencing with the 2012 fiscal year, the Commission has adopted Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as indicated in Note 2(a) and has early adopted PS 1201 Financial Statement Presentation and PS 3450 Financial Instruments and Portfolio Investments. These financial statements are the first financial statements for which the Commission has applied these Canadian PSA Standards.

The Commission has elected to use the following exemption upon first-time adoption:

Tangible capital asset impairment – the Commission has elected to assess conditions for write-down of tangible capital asset as noted in Section PS 3150, Tangible Capital Assets, on a prospective basis from the date of transition to PSA standards.

3. Adoption of new financial reporting framework (continued)

The impact of the conversion to Canadian public sector accounting standards on the accumulated surplus at the beginning of the 2011 fiscal year, the date of transition, and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods. The following changes have been made to comply with PSA standards:

	Previously stated April 1, 2010	Restated April 1, 2010
Accounts receivable	$ 86,828	$ 56,828
Due from government organizations	-	30,000
Accounts payable and accrued liabilities	286,738	283,220
Due to Province of British Columbia	74,454	-
Due to government organizations	-	77,972
	$ 448,020	$ 448,020

Accumulated surplus as at April 1, 2010	
Equity in capital assets	$ 14,779,741
Equity from operations - restricted	-
Equity from operations - unrestricted	992,421
Accumulated surplus, as previously reported	15,772,162
Adjustment on conversion to PSAB	-
Restated as at April 1, 2010	$ 15,772,162

Amounts due to or from government organizations are now disclosed separately on the statement of financial debt. See Note 5 for details regarding amounts due to and from government organizations.

The Commission's accumulated surplus was previously reported as net assets invested in capital assets, restricted and unrestricted. These amounts are now being reported as an accumulated surplus.

4. Cash and cash equivalents

	March 31 2012	March 31 2011	April 1 2010
Cash	**$ 155,461**	$ 170,409	$ 186,908
Short-term investments	**1,368,343**	1,886,755	2,148,997
	$ 1,523,804	$ 2,057,164	$ 2,335,905

5. Due from and to government and other government organizations

	March 31 2012	March 31 2011	April 1 2010
Due from:			
Federal government	**$ 27,338**	$ 519,028	$ -
Provincial government	**-**	449,061	-
Other government organizations	**-**	60,500	30,000
	$ 27,338	$ 1,028,589	$ 30,000
Due to:			
Federal government	**$ 11,753**	$ -	$ 2,875
Provincial government	**63,776**	90,237	75,097
Other government organizations	**1,613**	-	-
	$ 77,142	$ 90,237	$ 77,972

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

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

- Insurance premiums of $135,357 (2011: $123,272) were paid to the Ministry of Finance, Risk Management Branch, net of $99,433 (2011: $89,434) recovered from the Ministry of Labour, Citizens' Services and Open Government (MLCS) for St. Ann's Academy.

- Rent revenue of $39,600 (2011: $39,600) was received from MLCS relating to St. Ann's Academy. In return, a total of $209,606 (2011: $154,459) was paid to MLCS for St. Ann's Academy common operating expenses and for project management services related to the CPR Steamship Terminal project.

- The Province acts as fiscal agent for the Commission and also provides personnel and payroll services. Total service charges were $11,123 (2011: $7,494).

6. 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.

	March 31 2012	March 31 2011	April 1 2010
Opening balance	**$ 557,039**	$ 911,263	$ 989,660
Less:			
Wharf improvements	**-**	259,474	-
Revenue recognized for eligible expenses	**33,062**	94,750	78,397
Ending balance	**$ 523,977**	$ 557,039	$ 911,263

7. 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 2002, Transport Canada contributed $2 million in land, buildings and wharves to the Commission. 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 $51,623 (2011: $39,868).

- 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 (2011: $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 (2011: $45,600). The remaining contribution balance at March 31, 2012 was $191,318 (2011: $236,918).

- In 2009, a tenant contribution of $89,425 was received for refurbishment of the Blackball Ferry Line wharf. Annual revenue is $8,943 (2011: $8,943).

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

- In 2010/11, the Commission received federal and provincial contributions under the Infrastructure Stimulus Fund for the CPR Steamship Terminal seismic upgrade and rehabilitation project. Contributions received in 2010/11 from the provincial and federal government were $1,500,000 and $934,271, respectively. The total commitment from the provincial government and federal government was $1,500,000 each. In 2011/12, an additional $1,500,000 in provincial government contributions was authorized by OIC 171/11. The Commission received the additional $1,500,000 in contributions from the provincial government in 2011/12 and the remaining $565,729 in contributions from the federal government. As of March 31, 2012, the total contributions received from the provincial and federal governments for the project were $3,000,000 and $1,500,000, respectively.

- Over 2010 and 2011, a third party contribution of $185,000 was received for and applied to the Ship Point Navy Statue Project, to commemorate the 100^{th} anniversary of the Canadian Navy on May 4, 2010.

- 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.

	March 31 2012	March 31 2011	April 1 2010
Opening balance	**$ 5,423,746**	$ 3,139,354	$ 3,188,506
Additions:			
Belleville Port Facility – wharf improvements	**-**	259,474	-
Ship Point Navy Statue Project	**-**	20,000	165,000
CPR Steamship Terminal Project	**2,065,730**	2,434,271	-
	2,065,730	2,713,745	165,000
Less amounts recognized as revenue:			
Province of BC – contributed assets	**159,043**	158,885	142,872
Federal – Belleville Port Facility	**51,623**	39,868	25,680
	210,666	198,753	168,552
Tenant contribution – Crystal Garden	**45,600**	45,600	45,600
Ship Point Navy Statue Project	**-**	185,000	-
	256,266	429,353	214,152
Ending balance	**$ 7,233,210**	$ 5,423,746	$ 3,139,354

8. Tangible capital assets

Cost	Balance at March 31 2011	Additions	Disposals	**Balance at March 31 2012**
Land	$ 9,831,221	$ -	$ -	$9,831,221
Buildings	10,490,527	4,789,861	-	15,280,388
Wharves	1,099,773	142,166	-	1,241,939
Furniture and equipment	326,019	12,086	24,075	314,030
Specialized equipment	723,288	68,131	-	791,419
St. Ann's Academy	619,667	-	-	619,667
Assets under development	2,014,897	(2,014,897)	-	-
Total	$25,105,392	$ 2,997,347	$ 24,075	**$28,078,664**

Accumulated amortization	Balance at March 31 2011	Disposals	Amortization expense	**Balance at March 31 2012**
Buildings	$ 4,539,409	$ -	$ 261,291	$4,800,700
Wharves	417,712	-	120,444	538,156
Furniture and equipment	269,773	24,075	25,760	271,458
Specialized equipment	152,599	-	41,107	193,706
St. Ann's Academy	195,416	-	15,492	210,908
Total	$ 5,574,909	$ 24,075	$ 464,094	**$6,014,928**

Net book value	Balance at March 31 2011	**Balance at March 31 2012**
Land	$ 9,831,221	$9,831,221
Buildings	5,951,118	10,479,687
Wharves	682,061	703,782
Furniture and equipment	56,246	42,572
Specialized equipment	570,689	597,715
St. Ann's Academy	424,251	408,759
Assets under development	2,014,897	-
Total	$19,530,483	**$22,063,736**

8. Tangible capital assets (continued)

Cost	Balance at April 1 2010	Additions	Disposals	**Balance at March 31 2011**
Land	$ 9,831,221	$ -	$ -	$9,831,221
Buildings	10,490,527	-	-	10,490,527
Wharves	840,299	259,474	-	1,099,773
Furniture and equipment	319,352	6,667	-	326,019
Specialized equipment	723,288	-	-	723,288
St. Ann's Academy	619,667	-	-	619,667
Assets under development	41,776	1,973,121	-	2,014,897
Total	$22,866,130	$ 2,239,262	$ -	**$25,105,392**

Accumulated amortization	Balance at April 1, 2010	Disposals	Amortization expense	**Balance at March 31 2011**
Buildings	$ 4,276,471	$ -	$ 262,938	$4,539,409
Wharves	322,225	-	95,487	417,712
Furniture and equipment	215,869	-	53,904	269,773
Specialized equipment	117,568	-	35,031	152,599
St. Ann's Academy	179,924	-	15,492	195,416
Total	$ 5,112,057	$ -	$ 462,852	**$5,574,909**

Net book value	Balance at April 1 2010	**Balance at March 31 2011**
Land	$ 9,831,221	$9,831,221
Buildings	6,214,056	5,951,118
Wharves	518,074	682,061
Furniture and equipment	103,483	56,246
Specialized equipment	605,720	570,689
St. Ann's Academy	439,743	424,251
Assets under development	41,776	2,014,897
Total	$17,754,073	**$19,530,483**

8. Tangible capital assets (continued)

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 $118.1 million (2011: $118.2 million).

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 BC, 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 CPR Steamship Terminal Seismic Upgrade and Rehabilitation Project was completed in the fall of 2011. As a result, the costs incurred on the project have been transferred from Assets under development to Buildings. As at March 31, 2011, there was $2,014,897 in costs included in Assets under development for the project. These costs were transferred to Buildings during the year along with another $2,711,809 in costs incurred on the project during the year. Total project costs capitalized as at March 31, 2012 is $4,777,907. The project is complete, but the building was not in use as at March 31, 2012. As a result, these costs were not subject to amortization during the 2012 fiscal year. The building is expected to re-open in the fall of 2012 at which time amortization will begin on the costs included in the project.

9. 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, 2011, a restriction of $250,000 had been authorized by the Board and Order in Council 288/10 for the CPR Steamship Terminal project. During the year, the Board further increased the restriction by $250,000 through Order in Council 171/11, and a total of $277,908 was used to complete the project. The net restricted balance of $222,092 at March 31, 2012 is being held for planned capital maintenance to the CPR Steamship Terminal prior to re-opening.

10. 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**	**2012 Total**	2011 Total
Property operating expenses	$ 116,902	$ 757,022	$ 42,391	**$ 916,315**	$ 910,751
Salaries and benefits	351,216	242,122	250,839	**844,177**	948,989
Amortization	15,492	419,938	28,664	**464,094**	462,851
Professional services	14,208	188,403	201,983	**404,594**	332,193
Outreach program contributions	392,075	-	-	**392,075**	366,848
Office and business	14,571	8,514	140,838	**163,923**	153,805
Board and committees	-	-	43,686	**43,686**	38,872
	904,464	1,615,999	708,401	**3,228,864**	3,214,309
Corporate overhead transfer	178,000	125,000	(303,000)	**-**	-
	$ 1,082,464	$ 1,740,999	$ 405,401	**$ 3,228,864**	$ 3,214,309

11. 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 will go into effect April 1, 2012.

Contributions to the Plan by the Commission were $50,425 (2011:$59,772).

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 2011/12, the benefits contribution was 23.0% (2011: 24.5%) of salary costs. The Commission's total benefit expense for the year was $148,770 (2011: $172,123).

12. Commitments

At March 31, 2012, the Commission has commitments under various agreements as follows:

- Outreach Programs: projected commitments under the Student Travel Subsidy program total $185,000 (2011: $204,170). 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 2013 with an annual commitment of $7,500. The other expires in 2014 with an annual commitment of $5,812.

13. 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.

14. Supplemental cash flow information

	2012	2011
Change in non-cash operating and investing working capital		
Accounts receivable	**$ (25,833)**	$ (6,071)
Due from government organizations	**1,001,251**	(998,589)
Accounts payable and accrued liabilities	**(500,724)**	453,202
Due to government organizations	**(13,095)**	12,265
Deferred revenue	**109,641**	(34,677)
Prepaid expenses	**(9,112)**	8,513
	$ 562,128	$ (565,357)

15. 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 counter parties (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.

16. 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. As these transfers 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 is as follows:

- April 1, 2010: increase in accumulated surplus and decrease in deferred contributions by $2,351,419.

- Year-ended March 31, 2011: increase in annual surplus by $2,543,804.

- March 31, 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.