

Financial statements of

**Health Employers Association of
British Columbia**

March 31, 2014

Health Employers Association of British Columbia

March 31, 2014

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Independent Auditor's Report

To the Members of Health Employers Association of British Columbia

We have audited the accompanying financial statements of Health Employers Association of British Columbia, which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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 statement of financial position of Health Employers Association of British Columbia as at March 31, 2014, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

We draw attention to Note 2 (a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the difference between the basis of accounting and Canadian Public Sector Accounting Standards. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The Society Act (British Columbia) requires that the audit opinion state that the financial statements present fairly the financial position of the Association and the results of its operations for the period under audit. As Health Employers Association of British Columbia's financial statements are prepared in accordance with a compliance framework as described in Note 2 (a), Canadian generally accepted auditing standards do not permit the use of a fair presentation opinion on the financial statements.

As required by the Society Act (British Columbia), we report that, in our opinion, these financial statements are presented on a basis consistent with that of the previous year.

Deloitte LLP

Chartered Accountants
May 30, 2014
Vancouver, British Columbia

Health Employers Association of British Columbia

Statement of operations and accumulated surplus year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenues			
Government funding	9,068,215	9,068,215	9,068,215
Benefits and administration fees (Note 5)	50,000	28,786	33,678
Member assessments	180,000	180,804	224,259
Interest and other revenue	150,000	178,619	250,767
Fee for service	100,000	50,646	313
	9,548,215	9,507,070	9,577,232
Funding from deferred contributions - operations (Note 3)	5,185,763	4,776,060	5,672,909
	14,733,978	14,283,130	15,250,141
Expenses (Note 8)			
Strategic negotiations and contract administration	4,216,530	3,681,977	5,087,822
Knowledge management and information technology	2,563,620	2,433,360	2,499,322
Legal services	1,077,650	1,344,827	1,142,275
Finance and administration	868,300	836,297	812,390
Executive services and board governance	740,625	749,228	657,533
General	180,000	421,479	387,163
Communications	427,020	366,709	367,134
Expenses from ongoing operations	10,073,745	9,833,877	10,953,639
Contracted operations			
Recruitment services - Health Match BC	2,197,000	2,064,850	2,002,649
Physician services	1,319,000	993,175	1,047,020
Health cross jurisdictional labour relations database	619,363	545,785	545,733
Care aide registry	503,000	554,882	424,260
Pandemic preparedness	-	-	163
Total expenses from contracted operations	4,638,363	4,158,692	4,019,825
Total expenses from operations	14,712,108	13,992,569	14,973,464
Surplus of revenues over expenses	21,870	290,561	276,677
Accumulated surplus, beginning of year	-	3,463,591	3,186,914
Accumulated surplus, end of year		3,754,152	3,463,591

Health Employers Association of British Columbia

Statement of financial position as at March 31, 2014

	2014	2013
	\$	\$
Financial assets		
Cash	1,102,296	17,810
Short-term investments	8,134,965	11,198,692
Long-term investments	1,700,000	-
Accounts receivable	481,265	625,156
	11,418,526	11,841,658
Liabilities		
Accounts payable and accrued liabilities	1,416,625	2,080,811
Deferred contributions (Note 3)	6,112,350	6,195,193
Tenant inducements	596,368	745,466
Retirement liability	260,854	248,849
	8,386,197	9,270,319
Net financial assets	3,032,329	2,571,339
Non-financial assets		
Tangible capital assets (Schedule 1)	581,000	714,705
Prepaid expenses	140,823	177,547
	721,823	892,252
Accumulated surplus (Schedules 2 and 3)	3,754,152	3,463,591

Commitments (Note 6)

Approved by the Board



Director



Director

Health Employers Association of British Columbia

Statement of changes in net financial assets year ended March 31, 2014

	2014	2014	2013
	Budget	Actual	Actual
	\$	\$	\$
Surplus of revenues over expenses	21,870	290,561	276,677
Acquisition of tangible capital assets	(206,980)	(102,502)	(220,924)
Amortization of tangible capital assets	200,000	218,545	222,677
Disposal of tangible capital assets	-	17,662	1,357
Acquisition of prepaid expenses	-	(141,253)	(179,022)
Use of prepaid expenses	-	177,977	74,432
Increase in net financial assets	14,890	460,990	175,197
Net financial assets, beginning of year	-	2,571,339	2,396,142
Net financial assets, end of the year	14,890	3,032,329	2,571,339

See accompanying notes to the financial statements.

Health Employers Association of British Columbia

Statement of cash flows year ended March 31, 2014

	2014	2013
	\$	\$
Operating activities		
Surplus of revenues over expenses	290,561	276,677
Items not affecting cash		
Amortization of tangible capital assets	218,545	222,677
Amortization of tenant inducements	(149,098)	(29,222)
Loss on disposal of tangible capital assets	17,662	-
Funding from deferred contributions	(4,776,060)	(5,672,909)
	(4,398,390)	(5,202,777)
Changes in non-cash working capital		
Accounts receivable	143,891	(57,170)
Prepaid expenses	36,724	(104,590)
Accounts payable and accrued liabilities	(664,186)	622,016
Deferred contributions	4,693,217	3,857,079
Retirement liability	12,005	(25,726)
	(176,739)	(911,168)
Capital activities		
Proceeds on disposal of tangible capital assets	-	1,357
Acquisition of tangible capital assets	(102,502)	(220,924)
	(102,502)	(219,567)
Investing activities		
Purchase of long-term investments	(1,700,000)	-
Purchase of short-term investments	(800,000)	-
Redemption of short-term investments	3,863,727	328,868
	1,363,727	
Net cash inflow (outflow)	1,084,486	(801,867)
Cash, beginning of year	17,810	819,677
Cash, end of year	1,102,296	17,810

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

1. Description of operations

The Health Employers Association of British Columbia ("HEABC") was formed under the Society Act (British Columbia) and the Public Sector Employers Act and is a non-taxable entity under the Income Tax Act.

HEABC's primary purpose is to coordinate and conduct collective bargaining, coordinate compensation for exempt employees, and support health care employers in the areas of benefit administration and human resource practices.

2. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of British Columbia that requires the accounting policies and practices of government organizations to conform to generally accepted accounting principles, as modified by any alternative standard or guideline that is made by the Treasury Board. The Canadian Public Sector Accounting Standards ("PSAS") are the generally accepted accounting principles for government.

In November 2011, a Treasury board regulation was issued that requires tax-payer supported organizations to adopt the accounting policies for capital contributions and other restricted contributions described in Note 2 (b). The accounting policies under PSAS require that government transfers with stipulations be recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Any such liability is reduced, and an equivalent amount of revenue is recognized, as the liability is settled.

In relation to HEABC's financial statements as at March 31, 2014, there were no differences between the basis of accounting described above and PSAS as HEABC did not receive capital contributions.

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are accounted for in accordance with PS 3410 - *Government Transfers*. Under PS 3410, contributions for operating purposes are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. These transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Such revenues are recognized in the statement of operations as the liabilities are settled.

Contributions from non-government sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Interest income on restricted deferred contributions is recorded as deferred revenue until revenue recognition has been met. Other interest income is recognized when earned.

(c) Short-term and long-term investments

HEABC's short-term investments consist of units in Phillips, Hager & North Canadian Money Market Fund Series O recorded at fair value and guaranteed investment certificates recorded at cost less a provision for impairment where investments are considered to be other than temporarily impaired.

Long-term investments consist of guaranteed investment certificates with original maturity dates of more than one year from the date of acquisition.

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

(d) *Accrued employee benefits*

The liability for vacation payable and staff illness bank payable of \$425,672 (2013 - \$436,913) is recorded as the benefits are earned, and is included in accounts payable and accrued liabilities.

The accrued retirement liability is an estimate of future retirement allowances for employees with greater than 10 years of service. The liability will be funded from cash as these liabilities are incurred.

(e) *Tenant inducements*

Inducements received or receivable from the landlord have been deferred and are being amortized to rent expense on a straight-line basis over the term of the lease.

(f) *Tangible capital assets*

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the estimated useful lives of the assets on the following basis:

Furniture, fixtures and equipment	20% declining balance
Computer equipment	3 years straight-line
Leasehold improvements	Straight-line over the term of the lease

Tangible capital assets are written down when conditions indicate that they no longer contribute to HEABC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) *Accumulated surplus*

Various funds are included in the accumulated surplus. These funds are not presented separately in the statement of operations but are presented on a consolidated basis, with any interfund balances and transactions eliminated. The funds are, however, separated for the purposes of segmented reporting and are detailed in Schedules 2 and 3. The various funds include the following:

(a) Operating Fund

This fund consists of the unrestricted funds of the Association.

(b) Tangible Capital Assets Fund

This fund represents the tangible capital assets under the management of HEABC, and relates to the maintenance and acquisition of those tangible capital assets.

(c) Health Match BC Fund

This fund represents the component of HEABC's surplus that has been generated by Health Match BC.

(h) *Financial instruments*

Derivatives and equity instruments quoted in an active market are measured at fair value. Other than short-term investments (Note 2 (c)), HEABC does not have these instruments. All other financial assets and financial liabilities are measured at cost or amortized cost.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a short-term investment to reflect a loss in value is not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured at cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 2 (a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include the fair value of short-term investments, the useful lives of tangible capital assets and tenant inducements, the determination of accrued liabilities and the retirement liability, and contingencies.

3. Deferred contributions

	2014	2013
	\$	\$
Beginning balance	6,195,193	8,011,022
Government funding received (net)	4,643,906	3,825,458
Other funds	-	(17,676)
Interest earned	49,311	49,298
Less: Amounts recognized as revenue	(4,776,060)	(5,672,909)
	6,112,350	6,195,193

During the year, HEABC received funding from the provincial government of British Columbia for the following purposes:

	2014	2013
	\$	\$
Strategic negotiations	380,000	380,000
Recruitment services - Health Match BC	1,930,000	1,930,000
Physician services (including physician negotiations)	1,250,000	450,000
Health cross jurisdictional labour relations database (net)	585,906	602,458
Care aide registry	498,000	463,000
	4,643,906	3,825,458

The deferred contributions are restricted to and allocated as follows:

	2014	2013
	\$	\$
Strategic negotiations	544,183	833,930
Recruitment services - Health Match BC	591,816	692,426
Physician services (including physician negotiations)	4,604,370	4,298,238
Health cross jurisdictional labour relations database	371,981	331,859
Care aide registry	-	38,740
	6,112,350	6,195,193

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

4. Line of credit

HEABC has an operating line of credit of \$250,000, bearing interest at Royal Bank prime rate, which is unsecured and repayable on demand. This line is unused at March 31, 2014 (2013 - \$Nil).

5. Related party transactions

The Board of Directors of HEABC is responsible for appointing the trustees to the Healthcare Benefit Trust ("HBT").

HEABC has a service contract with the HBT to provide consulting and administrative services to HBT related to its maintenance, operation and administration. Fees earned for the year were \$25,195 (2013 - \$27,147).

6. Commitments

HEABC has annual operating lease payments, exclusive of operating costs. Minimum future lease payments as at March 31, 2014 are as follows:

	\$
2015	718,429
2016	711,708
2017	704,486
2018	701,334
2019 and thereafter	5,264
	<hr/> 2,841,221

7. Pension plan

HEABC and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing the Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 92 contributors from HEABC.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan. HEABC paid \$627,349 for employer contributions to the Plan in fiscal 2014 (2013 - \$626,153).

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

8. Expenses by object

	2014	2013
	\$	\$
Compensation and benefits	8,919,755	8,945,944
Travel and meetings	716,206	1,591,484
Legal and professional	1,537,945	1,416,652
Rental - office and equipment	1,297,655	1,279,326
Office and information technology	900,412	1,048,510
Amortization	218,545	222,677
GST - unrecoverable	65,302	138,056
Staff training, research and memberships	127,410	119,298
Arbitration and hearing costs	182,955	108,255
Recruiting and relocation	26,384	103,262
	13,992,569	14,973,464

9. Financial instruments

Fair values

HEABC's financial instruments include cash, short-term investments, long-term investments, accounts receivable and accounts payable. These financial instruments are carried at cost, except for short-term and long-term investments per Note 2 (c). The fair values of the other financial instruments approximate their carrying values due to their short-term nature.

Risks

(a) Credit risk

HEABC has limited exposure to credit risk associated with its cash, short-term and long-term investments, and accounts receivable. HEABC is not exposed to significant credit risk as the receivables are due from governments. Cash and the GICs are held with a Canadian chartered bank and the short-term and long-term investments are held in Canadian money market funds. HEABC's maximum exposure to credit risk is \$11,418,526 (2013 - \$11,841,658).

(b) Interest rate risk

HEABC is not exposed to significant interest rate risk due to the short-term maturity of its financial assets and liabilities, except in its short-term investments and long-term investments which are subject to fluctuations in changes in interest rates.

(c) Liquidity risk

HEABC does not have significant liquidity risk as it has sufficient cash to meet its liabilities as they come due. Short-term and long-term investments per Note 2 (c), except for the guaranteed investment certificates, are held in highly liquid investments with no specific terms to maturity, that can be disposed of when required. Accounts payable and accrued liabilities are all due within one year.

Health Employers Association of British Columbia

Notes to the financial statements

March 31, 2014

10. Trusts under administration

Trusts under administration are not reflected in the financial statements and are comprised of monies held for the following purposes:

	2014	2013
	\$	\$
Nurse policy commitments	2,485,010	2,458,651
Health Safety in Action Initiative	-	2,056,970
Enhanced disability management project (NBA)	134,244	-
Enhanced disability management project (FBA)	155,966	-
Occupational health, safety & violence prevention (NBA)	1,871,860	-
Occupational health, safety & violence prevention (FBA)	638,418	-
BC practice ready assessment program	360,000	-
	5,645,498	4,515,621

Health Employers Association of British Columbia

Schedule of tangible capital assets - Schedule 1

as at March 31, 2014 and 2013

					2014
	Furniture and fixtures	Equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
As at April 1, 2013	552,035	275,066	821,397	712,636	2,361,134
Additions	3,898	47,267	51,337	-	102,502
Disposals	-	(49,237)	-	-	(49,237)
	555,932	273,096	872,734	712,636	2,414,399
Accumulated amortization					
As at April 1, 2013	463,213	162,519	619,498	401,198	1,646,429
Additions	16,288	21,344	103,054	77,860	218,545
Disposals	-	(31,575)	-	-	(31,575)
	479,501	152,288	722,552	479,057	1,833,399
Net book value, March 31, 2014	76,431	120,808	150,183	233,579	581,000

					2013
	Furniture and fixtures	Equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
As at April 1, 2012	545,280	253,510	650,943	694,016	2,143,749
Additions	6,755	25,095	170,454	18,620	220,924
Disposals	-	(3,539)	-	-	(3,539)
	552,035	275,066	821,397	712,636	2,361,134
Accumulated amortization					
As at April 1, 2012	443,800	141,326	517,470	323,338	1,425,934
Additions	19,413	23,376	102,028	77,860	222,677
Disposals	-	(2,182)	-	-	(2,182)
	463,213	162,520	619,498	401,198	1,646,429
Net book value, March 31, 2013	88,822	112,546	201,899	311,438	714,705

See accompanying notes to the financial statements.

Health Employers Association of British Columbia

Schedule of segment disclosure - Schedule 2

year ended March 31, 2014

	Operating Fund	Tangible Capital Assets Fund	Health Match BC Fund	2014
	\$	\$	\$	\$
Revenues				
Government funding	9,068,215	-	-	9,068,215
Benefits and administration fees	28,786	-	-	28,786
Member assessment	180,804	-	-	180,804
Interest and other revenue	178,619	-	-	178,619
Fee for service	50,646	-	-	50,646
	9,507,070	-	-	9,507,070
Funding from deferred contributions - operations	2,763,592	-	2,012,468	4,776,060
	12,270,662	-	2,012,468	14,283,130
Expenses				
Strategic negotiations and contract administration	3,681,977	-	-	3,681,977
Knowledge management and information technology	2,396,925	36,435	-	2,433,360
Legal services	1,344,827	-	-	1,344,827
Executive services and board governance	836,297	-	-	836,297
Finance and administration	749,228	-	-	749,228
General	202,934	218,545	-	421,479
Communications	366,709	-	-	366,709
Expenses from ongoing operations	9,578,897	254,980	-	9,833,877
Contracted operations				
Recruitment services - Health Match BC	-	-	2,064,850	2,064,850
Physician services	993,175	-	-	993,175
Health cross jurisdictional labour relations database	545,785	-	-	545,785
Care aide registry	554,882	-	-	554,882
Total expenses from contracted operations	2,093,842	-	2,064,850	4,158,692
Total expenses from operations	11,672,739	254,980	2,064,850	13,992,569
Surplus (deficiency) of revenues over expenses				
Acquisition of tangible capital assets	(53,840)	53,840	-	-
Disposal of tangible capital assets	17,662	(17,662)	-	-
Accumulated surplus, beginning of year	2,433,466	977,743	52,382	3,463,591
Accumulated surplus, end of year	2,995,211	758,941	-	3,754,152

See accompanying notes to the financial statements.

Health Employers Association of British Columbia

Schedule of segment disclosure - Schedule 3

year ended March 31, 2013

	Operating Fund	Tangible Capital Assets Fund	Health Match BC Fund	2013
	\$	\$	\$	\$
Revenues				
Government funding	9,068,215	-	-	9,068,215
Benefits and administration fees	33,678	-	-	33,678
Member assessment	224,259	-	-	224,259
Interest and other revenue	250,767	-	-	250,767
Fee for service	313	-	-	313
	9,577,232	-	-	9,577,232
Funding from deferred contributions - operations	3,697,187	-	1,975,722	5,672,909
	13,274,419	-	1,975,722	15,250,141
Expenses				
Strategic negotiations and contract administration	5,087,822	-	-	5,087,822
Knowledge management and information technology	2,423,043	76,279	-	2,499,322
Legal services	1,142,275	-	-	1,142,275
Executive services and board governance	657,533	-	-	657,533
Finance and administration	812,390	-	-	812,390
Communications	367,134	-	-	367,134
General	164,486	222,677	-	387,163
Expenses from ongoing operations	10,654,683	298,956	-	10,953,639
Contracted operations				
Recruitment services - Health Match BC	-	-	2,002,649	2,002,649
Physician services	1,047,020	-	-	1,047,020
Health cross jurisdictional labour relations database	545,733	-	-	545,733
Care aide registry	424,260	-	-	424,260
Pandemic preparedness	163	-	-	163
Total expenses from contracted operations	2,017,176	-	2,002,649	4,019,825
Total expenses from operations	12,671,859	298,956	2,002,649	14,973,464
Surplus (deficiency) of revenues over expenses	602,560	(298,956)	(26,927)	276,677
Acquisition of tangible capital assets	(60,241)	60,241	-	-
Disposal of tangible capital assets	1,357	(1,357)	-	-
Accumulated surplus, beginning of year	1,889,790	1,217,815	79,309	3,186,914
Accumulated surplus, end of year	2,433,466	977,743	52,382	3,463,591

See accompanying notes to the financial statements.