Legal Services Society

Financial statements 2013/14

Legal Services Society management's responsibility for the financial statements

Management is responsible for the preparation of the society's financial statements. This responsibility includes maintaining the integrity and objectivity of the society's financial records, and presenting the society's financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Management maintains a system of internal controls that ensures all material agreements and transactions of the society are properly recorded. The society's financial statements for the year ended March 31, 2014, have been examined by PricewaterhouseCoopers LLP. Their examination was made in accordance with Canadian generally accepted auditing standards, and included obtaining a sufficient understanding of the society's internal controls to plan the audit.

The directors of the society's board are not employees of the society. The board of directors is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the control of the society's financial operations. The board of directors meets with staff of PricewaterhouseCoopers LLP to discuss their audit work, the society's internal controls, and the financial statements. The board of directors is responsible for approving the financial statements.

Mark Benton, QC
Chief Executive Officer

Doug Wong
Doug Wong, CPA, CA
Director, Finance and Corporate Services

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May 15, 2014

Independent Auditor's Report

To the Board of the Legal Services Society and to the Minister of Justice and Attorney General, Province of British Columbia

We have audited the accompanying financial statements of the Legal Services Society, 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 ended March 31, 2014 and the related notes, which comprise 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 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 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.

PricewaterhouseCoopers LLP
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pwc

Opinion

In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2014, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year ended March 31, 2014, and the related notes, 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

Without modifying our opinion, we draw your attention to note 3 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 17 to the financial statements disclose the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

Legal Services Society

Statement of financial position as at March 31, 2014

		2014		2013
Financial assets				
Current assets				
Cash (note 16)	$	**3,035,056**	$	2,602,953
Investments (notes 4 and 16)		**12,974,300**		15,642,803
Accounts receivable				
Government of British Columbia		**932,800**		1,042,756
Government of Canada		**615,284**		2,028,704
Other (note 16)		**520,130**		629,782
Total financial assets		**18,077,570**		21,946,998
Liabilities				
Accounts payable and accrued liabilities				
General (note 5a)		**2,207,831**		1,499,477
Tariff (note 5b)		**12,829,725**		15,463,248
Employee future benefits (note 6b)		**252,000**		235,000
Deferred contributions (note 7)		**630,553**		1,044,970
Long-term liabilities (note 8)		**565,200**		546,756
Total liabilities		**16,485,309**		18,789,451
Net financial assets		**1,592,261**		3,157,547
Non-financial assets				
Tangible capital assets (schedule 1)		**3,472,119**		2,284,300
Prepaid expenses		**393,424**		515,957
Total non-financial assets		**3,865,543**		2,800,257
Accumulated surplus (note 9)	$	**5,457,804**	$	5,957,804
Contractual obligations (note 12)				
Contingent liabilities (note 15)				

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

Tom Christensen
Chair of the Board of Directors

Sheryl N. Lee, CPA, CA
Chair of the Finance Committee

Legal Services Society

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

	Budget (note 11)	2014	2013
Revenue			
Government of British Columbia (note 13)	$ 72,526,000	$ **75,193,824**	$ 78,413,934
Law Foundation	3,650,000	**3,718,793**	3,807,162
Notary Foundation	400,000	**486,872**	510,127
Investment income	530,000	**397,847**	578,358
Miscellaneous	115,000	**260,526**	233,094
Total revenue	77,221,000	**80,057,862**	83,542,675
Expenses (note 10)			
Criminal tariff	40,621,000	**44,638,998**	47,276,039
Family tariff	16,961,500	**15,762,341**	16,819,996
Child protection tariff	7,109,300	**8,209,429**	7,407,307
Immigration tariff	1,739,300	**1,965,505**	1,747,597
Publishing	1,345,700	**1,539,942**	1,521,279
Community engagement	870,300	**823,771**	873,834
Aboriginal services	557,500	**465,952**	586,470
Administration	8,016,400	**7,151,924**	7,707,886
Total expenses	77,221,000	**80,557,862**	83,940,408
Annual deficit	—	**(500,000)**	(397,733)
Accumulated surplus at beginning of year	6,355,537	**5,957,804**	6,355,537
Accumulated surplus at end of year (note 9)	$ 6,355,537	$ **5,457,804**	$ 5,957,804

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

Legal Services Society

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

		Budget (note 11)		2014		2013
Annual operating deficit	$	—	$	**(500,000)**	$	(397,733)
Acquisition of tangible capital assets		(2,790,000)		**(1,795,001)**		(551,489)
Amortization		723,215		**607,182**		731,246
		(2,066,785)		**(1,187,819)**		179,757
Acquisition of prepaid expenses		—		**(393,424)**		(515,957)
Use of prepaid expenses		—		**515,957**		269,418
		—		**122,533**		(246,539)
Decrease in net financial assets		(2,066,785)		**(1,565,286)**		(464,515)
Net financial assets at beginning of year		3,157,547		**3,157,547**		3,622,062
Net financial assets at end of year	$	1,090,762	$	**1,592,261**	$	3,157,547

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

Legal Services Society

Statement of cash flows for the year ended March 31, 2014

		2014		2013
Operating transactions				
Cash received				
Transfers from Government of British Columbia	$	**74,958,407**	$	78,164,235
Grants received		**4,125,795**		4,186,785
Interest		**397,847**		578,358
HST recovered		**1,413,420**		—
Other		**381,005**		139,718
		81,276,474		83,069,096
Cash paid				
Legal aid tariff		**62,554,417**		61,152,666
Salaries and benefits		**10,930,942**		10,828,903
Rent		**1,722,199**		1,742,608
Services		**2,396,501**		2,388,235
HST paid		**—**		509,920
All other		**4,113,814**		5,764,372
		81,717,873		82,386,704
Cash (applied to)/provided by operations		**(441,399)**		682,392
Capital transactions				
Cash used to acquire tangible capital assets		**(1,795,001)**		(551,490)
Investing transactions				
Investments purchased		**(5,000,000)**		(10,500,000)
Investments redeemed		**7,668,503**		11,458,148
		2,668,503		958,148
Increase in cash		**432,103**		1,089,050
Cash and cash equivalents at beginning of year		**2,602,953**		1,513,903
Cash and cash equivalents at end of year	$	**3,035,056**	$	2,602,953

The accompanying notes and supplementary schedule are an integral part of theses financial statements.

Notes to the Financial Statements

for the year ended March 31, 2014

1. Overview

The Legal Services Society (the society) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). The society is governed by a board of directors, of which five are appointed by the Province of British Columbia (the province) and four are appointed by the Law Society. The purpose of the society is to:

- assist individuals to resolve their legal problems and facilitate access to justice,
- establish and administer an effective and efficient system for providing legal aid to individuals in British Columbia, and
- provide advice to the Minister of Justice and Attorney General respecting legal aid and access to justice for individuals in British Columbia.

The society is not subject to income taxes.

2. Basis of presentation

These financial statements are prepared by management in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This section requires that financial statements be prepared in accordance with Canadian public sector accounting standards (PSAS), except in regard to government transfers as described in notes 3(a) and 17.

3. Significant accounting policies

(a) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that give 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.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred. This approach complies with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. However, this accounting treatment is different from the requirements of the Canadian PSAS, which require that government contributions 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 this case, the transfer is recognized as revenue over the period that the liability is extinguished. See note 17 for the impact of this policy on the financial statements.

(b) Expenses

Expenses are reported on an accrual basis. The cost of services incurred during the year is expensed.

(c) Tariff expenses

Tariff expenses include amounts billed by lawyers to the society and an estimate of amounts of services performed by lawyers but not yet billed to the society.

(d) Employee future benefits

i. The society's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The cost of the defined benefit contributions is recognized as an expense during the year, and is based on the contributions required to be made during each period.

ii. The cost of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates, and discount rates.

(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 asset.

Tangible capital assets are amortized on a straight-line basis:

Assets	Per Year
Furniture	10 – 20%
Equipment	20%
Computer equipment	25 – 33%
Computer software	20 – 33%
Case Management System	10%
Leasehold improvements	Lower of lease term and useful life

Tangible capital assets are written down when conditions indicate that they no longer contribute to the society's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net writedowns (if any) are accounted for as expenses in the statement of operations.

(f) Asset retirement obligation

The society recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The society concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted, risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in the statement of operations as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

(g) Prepaid expenses

Prepaid expenses include memberships, computer software licences, and deposits. These items are charged to expense over the periods expected to benefit from them.

(h) Financial instruments

The society adopted PS 3450 – Financial Instruments, effective April 1, 2012. Other than increased disclosures, the new standard did not materially impact the society's financial statements.

The society's financial instruments consist of investments, accounts receivable, and accounts payable and accrued liabilities. Cash, accounts receivable, and accounts payable and accrued liabilities are measured at cost. Investments, which comprise Guaranteed Investment Certificates, Provincial Bonds, Corporate Bonds, and Structured Bank Notes, are measured at amortized cost. The effective interest method is used to determine income.

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

The fair values of the society's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity. The fair values of the society's investments are disclosed in note 4. The fair value of the society's tariff accounts payable and accrued liabilities is not readily determinable.

(i) Measurement uncertainty

The preparation of financial statements 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 revenue and expenses during the reporting period. Areas where estimates are significant to the financial statements include the tariff liabilities and expenses (note 18). Other areas where estimates are made include the valuation of accounts receivable, amortization of tangible capital assets, asset retirement obligation, non-vesting sick leave benefits, and contingent liabilities.

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 those estimates.

4. Investments

The carrying value of the society's investments is $12,974,300 (2013 — $15,642,803). Included in investments is $189,301 for accrued interest (2013 — $291,395). Investments have maturities ranging from April 2014 to May 2017 and rates of return ranging from 1.64% to 3.1%.

The investments have a market value at March 31, 2014, of $12,966,315 (2013 — $15,645,713). Investments are recorded at amortized cost less any writedowns associated with a loss in value that is other than a temporary decline.

5. Accounts payable and accrued liabilities

(a) General

		2014		2013
Trade payables	$	**1,550,356**	$	840,608
Payroll payables		**657,475**		658,869
Total	$	**2,207,831**	$	$1,499,477

(b) Tariff

		2014		2013
Submittals approved, not paid	$	**858,390**	$	1,949,598
Submittals not approved		**1,087,335**		2,479,650
Accrual		**10,884,000**		11,034,000
Total	$	**12,829,725**	$	15,463,248

The society uses an actuarial model to estimate legal services performed but not yet billed to the society. Management estimated the liability to be approximately $10,884,000 (2013 — $11,034,000). This estimate included in the above table incorporates average case costs and service billings for similar cases, based on historical experience over a two-year period. Actual costs could differ from this estimate (notes 3(i) and18).

6. Employee future benefits

(a) Pension plan

The society and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed pension plan. The board of trustees, representing 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 134 contributors from the society.

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.

The society paid $722,856 for employer contributions to the plan in fiscal 2014 (2013 — $683,980).

(b) Non-vested sick leave

Employees are credited days per year, ranging from six to 10 days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit cost and liabilities related to the plan are included in the financial statements.

7. Deferred contributions

		Balance, beginning of year		Restricted contributions		Amortized to operations		Balance, end of year
Government of British Columbia Criminal Category B		975,926		1,813,000		2,158,373		**630,553**
Other		69,044		—		69,044		—
Total	$	1,044,970	$	1,813,000	$	2,227,417	$	**630,553**

The society's Memorandum of Understanding (MOU) with the Minister of Justice and Attorney General of British Columbia provides for restricted funding for exceptional matters, commencing with the 2003 fiscal year. Effective April 1, 2010, the MOU was revised to provide clarification on criminal case classification and funding of these cases.

There are now three categories:

- **Category A**: The first $75,000 of non-court-ordered cases paid at the standard rates. These cases are funded from the base criminal tariff budget.
- **Category B**: All costs greater than $75,000 and up to $175,000 of non-court-ordered cases paid at standard rates, and all costs of court-ordered cases up to $175,000 paid at standard rates. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any eligible base criminal tariff surplus to the shortfall. Any remaining shortfall is then applied to deferred contributions.
- **Category C**: All costs greater than $175,000, or all costs where the hourly rate paid is greater than the standard rate. These cases are funded through a special funding agreement with the Ministry of Justice.

8. Long-term liabilities

	2014	2013
Asset retirement obligation (a)	$ **565,200**	$ 537,000
Leasehold inducements	**—**	9,756
Total	**$ 565,200**	**$ 546,756**

(a) Asset retirement obligation

Included within long-term liabilities is the society's accrual for its asset retirement obligation for the estimated costs of restoring certain leased facilities to their original condition at the end of the lease terms. The following is a reconciliation of the changes in the asset retirement obligation during the year:

	2014	2013
Balance, beginning of year	$ **537,000**	$ 502,000
Accretion expense	**28,200**	35,000
Balance, end of year	$ **565,200**	$ 537,000

The accretion expense is included in the premises expense. The undiscounted estimated cash flows required to settle the obligations ongoing to 2019 are $784,000. The cash flows are discounted using a credit-adjusted, risk-free rate of 5% (2013 — 5%).

9. Accumulated surplus

	2014	2013
Internally restricted for ISIS project	$ **4,300,000**	$ 4,300,000
Internally restricted for strategic initiatives	**1,157,804**	1,657,804
Total	**$ 5,457,804**	**$ 5,957,804**

The board of directors has authorized the following restrictions on the accumulated surplus:

- In fiscal 2013, the board of directors restricted the entire accumulated surplus to be used for board-directed strategic initiatives and allocated $4.3 million of those funds for the ISIS project (to replace the Case Management System), of which approximately $3.1 million has been committed to date and $1.9 million has been paid.
- The accumulated surplus will be drawn down as the cost of the ISIS project is amortized over the anticipated useful life of the asset.
- In fiscal 2014, the board of directors sought and received approval from the Treasury Board to use up to $0.5 million of accumulated surplus to offset the current year tariff cost pressures.
- These funds are not available for other purposes without the board of directors' approval.

10. Expenses by object

The following is a summary of expenses by object:

		2014 Budget		2014 Actual		2013 Actual
Tariff	$	44,835,000	$	**49,557,303**	$	51,975,454
Salaries and benefits		10,946,140		**10,929,548**		10,884,792
Duty counsel		8,995,570		**9,468,955**		9,429,182
Grants and contracted services		4,421,450		**3,504,899**		3,863,221
Premises		1,947,710		**1,722,199**		1,742,608
Local agents		1,700,560		**1,675,555**		1,637,388
Computers		952,450		**1,052,957**		1,138,657
Transcripts		1,000,000		**894,636**		1,267,965
Office		768,770		**632,113**		726,700
Amortization		739,280		**607,182**		731,246
Miscellaneous		570,670		**250,941**		272,933
Board expenses		218,600		**172,427**		171,951
Travel		124,800		**89,147**		98,311
Total	$	77,221,000	$	**80,557,862**	$	83,940,408

11. Budgeted figures

The operating budgeted figures, presented on a basis consistent with that used for actual results, were approved by the board of directors on February 15, 2013, and submitted to the Ministry of Justice. The minister approved the budget on March 21, 2013.

12. Contractual obligations

The society has the following contractual obligations for long-term leases of its office premises, and other contractual obligations:

Year		
2015	$	2,017,458
2016		827,221
2017		873,825
2018		920,429
2019		961,208
Thereafter		734,013
Total	**$**	**6,334,154**

At year-end, the liability for future costs of legal services to be performed beyond the fiscal year, for which the society is currently committed, is estimated by management to be approximately $24.1 million. This estimate uses the same methodology as described in note 5 for tariff payables.

13. Related parties

The society is related to the Province of British Columbia and its ministries, agencies, and Crown corporations. In this relationship, the province provided funding in the amount of $75,193,824 (2013 — $78,413,934) and the society is responsible for providing legal aid to individuals throughout BC. At year-end, the province owed the society $932,800 (2013 — $1,042,756).

Certain members of the board of directors provide tariff services to the society. These services are provided in the regular course of business under the same terms and conditions as other lawyers. The total amount paid for their services during the year was $66,363 (2013 — $37,727). All payments to board members are reviewed by the finance committee on a quarterly basis.

14. Economic dependence

In 2013, the society received 94% (2013 — 94%) of its operating revenue from the province, and 5% (2013 — 5%) from the Law Foundation of British Columbia. The society depends on funding from these sources for the continuance of its operations.

15. Contingent liabilities

The nature of the society's activities is such that there is usually pending or prospective litigation at any time against the society. With respect to claims at March 31, 2014, management believes the society has valid defences and appropriate insurance coverage in place. Accordingly, no provision has been made in these financial statements for any liability that may result. In the event that any of these claims are successful, management believes they will not have a material effect on the society's financial position.

16. Risk management

Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The society's accounts receivable are due primarily from government organizations and reputable organizations. The society's cash and investments are held at Canadian chartered banks, and Canadian financial institutions, respectively. The society is not exposed to significant credit risk.

At March 31, 2014, the following accounts receivable were past due but not impaired:

Accounts receivable		
Current	$	330,415
30 days		8,561
60 days		16,323
90 days		80,060
Over 120 days		84,771
Total	$	**520,130**

Liquidity risk

Liquidity risk is the risk that the society will not be able to meet its financial obligations as they fall due. The society's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due.

Financial assets		On demand	Up to 1 year	1 to 3 years	Over 3 years		Total
Cash	$	3,035,056	—	—	—	$	3,035,056
Investments		—	7,235,314	4,736,626	1,002,360		12,974,300
Accounts receivable		—	2,068,214	—	—		2,068,214
Total financial assets	**$**	**3,035,056**	**9,303,528**	**4,736,626**	**1,002,360**	**$**	**18,077,570**
Financial liabilities							
Accounts payable and accrued liabilities	$	—	4,153,556	—	—	$	4,153,556
Tariff accrual		—	10,884,000	—	—		10,884,000
Total financial liabilities	**$**	—	**15,037,556**	—	—	**$**	**15,037,556**

Market risk

Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

a) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The society is not exposed to significant currency risk.

b) Interest rate risk
Interest rate risk is the risk that the society's investments will change in fair value due to future fluctuations in market interest rates. The fair value of the investments, and the income they generate, varies as market interest rates vary. All other financial instruments are non-interest bearing. The society mitigates this risk by monitoring interest rates.

c) Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The society is not exposed to significant other price risk.

17. Impact of accounting for government contributions

in accordance with section 23.1 of the Budget Transparency and Accountability Act

As disclosed in note 3(a), section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and its related regulations require the society to recognize restricted contributions into revenue as the related expenses are incurred. As these contributions do not contain stipulations that create a liability for the society, PSAS would require these contributions be recognized as revenue in the period when authorized and all eligibility criteria are met. The impact of this accounting policy difference on these financial statements is as follows:

Date	**Impact**		Amount
March 31, 2012	Increase in accumulated surplus and decrease in deferred contributions	$	**2,146,034**
Year ended March 31, 2013	Increase in annual deficit	$	**1,101,064**
March 31, 2013	Increase in accumulated surplus and decrease in deferred contributions	$	**1,044,970**
Year ended March 31, 2014	Increase in annual deficit	$	**414,417**
March 31, 2014	Increase in accumulated surplus and decrease in deferred contributions	$	**630,553**

18. Measurement uncertainty

Program area			Amount reported		Measurement uncertainty		Range
Tariff accrual (note 5b)	Min	$	10,884,000	$	(1,088,400)	$	9,795,600
	Max	$	10,884,000	$	1,088,400	$	11,972,400
Tariff expenses (note 10)	Min	$	49,557,303	$	(1,088,400)	$	48,468,903
	Max	$	49,557,303	$	1,088,400	$	50,645,703

Variability in the tariff accrual arises from the rate at which cases proceed and changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses could change within a range of +/- 10%.

During the year ended March 31, 2013, the society engaged an independent actuarial firm to review the tariff accrual model. The review concluded that, in the aggregate, the tariff model remains appropriate for determining the amount to be accrued.

19. Corresponding figures

Certain corresponding figures have been reclassified to conform to the current year's presentation.

Schedule 1

Tangible capital assets

Cost

		Balance, beginning of year		Additions	Disposals		Balance, end of year
Furniture	$	1,207,017	$	—	(99,188)	$	**1,107,829**
Equipment		524,800		—	—		**524,800**
Computer equipment		929,567		27,406	—		**956,973**
Computer software		2,400,698			(263,463)		**2,137,235**
ISIS computer system		139,240		1,767,595	—		**1,906,835**
Case Management System		1,126,527		—	—		**1,126,527**
Leasehold improvements		2,613,401		—	—		**2,613,401**
Total	$	8,941,250	$	1,795,001	(362,651)	$	**10,373,600**

Accumulated amortization

		Balance, beginning of year		Additions	Disposals		Balance, end of year
Furniture	$	(808,113)	$	(113,304)	99,188	$	**(822,229)**
Equipment		(499,168)		(7,371)	—		**(506,539)**
Computer equipment		(750,210)		(73,506)	—		**(823,716)**
Computer software		(2,043,374)		(222,492)	263,463		**(2,002,403)**
ISIS computer system		—		—	—		—
Case Management System		(1,126,527)		—	—		**(1,126,527)**
Leasehold improvements		(1,429,558)		(190,509)	—		**(1,620,067)**
Total	$	(6,656,950)	$	(607,182)	362,651	$	**(6,901,481)**

Net book value

		2014		2013
Furniture	$	**285,600**	$	398,904
Equipment		**18,261**		25,632
Computer equipment		**133,257**		179,357
Computer software		**134,832**		496,564
ISIS computer system		**1,906,835**		—
Case Management System		**—**		—
Leasehold improvements		**993,334**		1,183,843
Total	$	**3,472,119**	$	2,284,300