

Financial Statements of

**HEALTH EMPLOYERS ASSOCIATION
OF BRITISH COLUMBIA**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of the Health Employers Association of British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of the Health Employers Association of British Columbia, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Health Employers Association of British Columbia as at March 31, 2016, and its results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

May 27, 2016

Burnaby, Canada

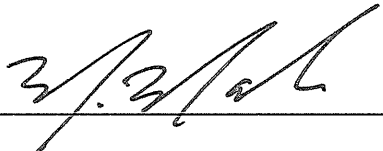
HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA
Statement of Financial Position

March 31, 2016, with comparative information for 2015

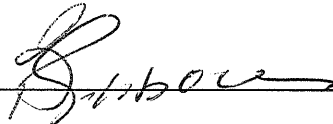
	2016	2015
Financial assets:		
Cash	\$ 2,279,075	\$ 1,599,577
Short-term investments (note 3)	8,685,036	7,145,426
Long-term investments (note 3)	-	800,000
Accounts receivable	852,419	2,643,926
	<u>11,816,530</u>	<u>12,188,929</u>
Liabilities:		
Accounts payable and accrued liabilities	1,950,518	2,102,250
Deferred contributions (note 4)	6,184,644	5,765,145
Tenant inducements	298,172	447,270
Retirement benefit liability	268,041	293,398
	<u>8,701,375</u>	<u>8,608,063</u>
Net financial assets:	3,115,155	3,580,866
Non-financial assets:		
Tangible capital assets (note 5)	394,377	465,677
Prepaid expenses	118,268	126,367
	<u>512,645</u>	<u>592,044</u>
Commitments (note 9)		
Accumulated surplus (note 6)	<u>\$ 3,627,800</u>	<u>\$ 4,172,910</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget (note 2 (j))	2016	2015
Revenue:			
Provincial government funding	\$ 9,068,215	\$ 9,068,215	\$ 9,068,215
Fee for service (note 8)	130,000	136,172	149,358
Member assessments	180,000	135,603	180,804
Interest	150,000	105,564	136,737
	<u>9,528,215</u>	<u>9,445,554</u>	<u>9,535,114</u>
Funding from deferred contributions operations (note 4)	8,747,960	7,298,705	4,967,662
	<u>18,276,175</u>	<u>16,744,259</u>	<u>14,502,776</u>
Expenses (note 11):			
Ongoing operations:			
Legal services and strategic labour relations	2,722,860	3,381,727	2,599,149
Knowledge management and compensation services	2,927,180	2,589,707	2,735,817
Strategic negotiations and benefits administration	1,473,915	1,748,375	1,423,744
Executive services and board governance	1,462,110	1,233,280	1,201,463
Finance and administration	860,480	775,089	785,402
Absence management and occupational health & safety	590,860	717,282	542,748
General	180,010	224,115	318,237
Expenses from ongoing operations	<u>10,217,415</u>	<u>10,669,575</u>	<u>9,606,560</u>
Contracted operations:			
Recruitment services - Health Match BC	2,306,535	2,368,823	2,142,553
Practice ready assessment BC	2,538,725	1,768,939	-
Physician services	1,328,500	1,307,792	1,199,476
Health cross jurisdictional labour relations database	424,000	376,853	577,260
Care aide registry	600,000	525,037	526,877
Integrated health human resource planning	800,000	272,350	31,292
Expenses from contracted operations	<u>7,997,760</u>	<u>6,619,794</u>	<u>4,477,458</u>
Total expenses from operations	<u>18,215,175</u>	<u>17,289,369</u>	<u>14,084,018</u>
Annual surplus (deficit)	61,000	(545,110)	418,758
Accumulated surplus, beginning of year	4,172,910	4,172,910	3,754,152
Accumulated surplus, end of year	<u>\$ 4,233,910</u>	<u>\$ 3,627,800</u>	<u>\$ 4,172,910</u>

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	2016 Budget (note 2(j))	2016	2015
Annual surplus (deficit)	\$ 61,000	\$ (545,110)	\$ 418,758
Acquisition of tangible capital assets	(216,000)	(114,407)	(87,410)
Disposal of tangible capital assets	-	2,022	-
Amortization of tangible capital assets	200,000	183,685	202,733
Acquisition of prepaid expenses	-	(169,494)	(122,415)
Use of prepaid expenses	-	177,593	136,871
Increase (decrease) in net financial assets	45,000	(465,711)	548,537
Net financial assets, beginning of year	3,580,866	3,580,866	3,032,329
Net financial assets, end of year	\$ 3,625,866	\$ 3,115,155	\$ 3,580,866

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flow

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash flows provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (545,110)	\$ 418,758
Items not affecting cash:		
Amortization of tangible capital assets	183,685	202,733
Amortization of tenant inducements	(149,098)	(149,098)
Loss on disposal of tangible capital assets	2,022	-
	(508,501)	472,393
Changes in non-cash working capital:		
Accounts receivable	1,791,507	(2,162,661)
Prepaid expenses	8,099	14,456
Accounts payable and accrued liabilities	(151,732)	685,625
Deferred contributions	419,499	(347,205)
Retirement benefit liability	(25,357)	32,544
	1,533,515	(1,304,848)
Capital activities:		
Acquisition of tangible capital assets	(114,407)	(87,410)
	(114,407)	(87,410)
Investing activities:		
Redemption of investments	800,000	2,689,539
Purchase of investments	(1,539,610)	(800,000)
	(739,610)	1,889,539
Increase in cash during the year	679,498	497,281
Cash, beginning of year	1,599,577	1,102,296
Cash, end of year	\$ 2,279,075	\$ 1,599,577

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2016

1. Nature of business and basis of presentation:

The Health Employers Association of British Columbia (the "Association") was formed under the Society Act (British Columbia) and the Public Sector Employers Act and is exempt from income taxes under Section 149 of the Income Tax Act.

The Association'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.

Funding is provided primarily by the Province of British Columbia (the "Province") and the Association is dependent on funding from this source.

2. Significant accounting policies:

The Association's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Canadian Public Sector Accounting Board.

(b) 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.

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 contributions 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.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(c) Short-term and long-term investments:

The Association'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.

(d) Employee future benefits:

The Association and its employees participate in the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Contributions to the plan are expensed as incurred.

The liability for vacation payable and staff illness bank payable are accrued and expensed as the benefits are earned, and are included in accounts payable and accrued liabilities.

The accrued retirement benefit liability is an estimate of future retirement allowances for employees who are over 55 years of age with greater than 10 years of service, upon retirement from the Association. The retiring allowance is one week of an employee's regular pay for every two years of service to a maximum of 20 weeks. Payments made on this liability will be funded from cash as incurred.

(e) Tenant inducements:

Inducements received 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 useful lives of the assets on the following basis:

	Basis	Rate
Office equipment	declining balance	20%
Furniture and fixtures	declining balance	20%
Computer equipment	straight-line	3 years
Leasehold improvements	straight-line	Over the term of the lease

Tangible capital assets are written down to residual value when conditions indicate that they no longer contribute to the Association'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.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Leases that transfer substantially all benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(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 combined basis, with any interfund balances and transactions eliminated. The funds are detailed in note 6 and include the following:

(i) Unrestricted accumulated surplus;

(ii) Invested in tangible capital assets:

This fund represents the tangible capital assets under the management of the Association.

(iii) Capital reserves:

This fund relates to the maintenance and acquisition of tangible capital assets.

(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)), the Association does not have these instruments. All other financial assets and financial liabilities are measured at cost or amortized cost which 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 Financial Statements (continued)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(i) Use of estimates:

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 reporting date and revenues and expenses during the year. The actual outcome could differ from the estimates made in the preparation of the financial statements. Areas requiring significant management estimates include retirement benefit liability, contingencies, and the useful economic lives of tangible capital assets for amortization.

(j) Budget figures:

The budget information reported in the statements of operations and changes in net financial assets have been derived from estimates approved by the Board of Directors on February 13, 2015.

3. Investments:

Investments are comprised of the following:

	2016	2015
Short-term investments:		
Canadian money market funds at fair value	\$ 6,185,036	\$ 5,445,426
Guaranteed investment certificates at cost	2,500,000	1,700,000
	8,685,036	7,145,426
Long-term investments:		
Guaranteed investment certificates	-	800,000
	\$ 8,685,036	\$ 7,945,426

The guaranteed investment certificates have interest rates ranging from 1.10% to 1.60% (2015 - 1.54% to 1.64%).

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. Deferred contributions:

	2016	2015
Balance, beginning of year	\$ 5,765,145	\$ 6,112,350
Provincial government funding received	7,185,023	4,598,651
Funds transferred	500,000	(21,000)
Interest earned	33,181	42,806
	13,483,349	10,732,807
Less amounts recognized as revenue	(7,298,705)	(4,967,662)
Balance, end of year	\$ 6,184,644	\$ 5,765,145

During the year, the Association received funding from the Provincial Government of British Columbia for the following purposes:

	2016	2015
Practice ready assessment - BC program (PRA-BC)	\$ 2,444,130	\$ -
Recruitment services - Health Match BC	2,230,000	2,030,000
Physician services (including physician negotiations)	1,000,000	550,000
Care aide registry	600,000	550,000
Strategic negotiations	380,000	380,000
Health cross jurisdictional labour relations database	370,893	608,651
Integrated health human resource planning	160,000	480,000
	\$ 7,185,023	\$ 4,598,651

The deferred contributions are restricted to and allocated as follows:

	2016	2015
Physician services (including physician negotiations)	\$ 3,609,777	\$ 3,976,702
Recruitment services - Health Match BC	840,438	479,262
Practice ready assessment - BC program (PRA-BC)	767,505	-
Health cross jurisdictional labour relations database	397,412	403,372
Integrated health human resource planning	336,358	448,708
Strategic negotiations	135,068	433,978
Care aide registry	98,086	23,123
	\$ 6,184,644	\$ 5,765,145

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Tangible capital assets:

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2015	\$ 276,157	\$ 559,036	\$ 939,773	\$ 726,843	\$ 2,501,809
Additions	12,663	19,680	60,774	21,290	114,407
Disposals	(12,425)	-	(145,000)	-	(157,425)
	276,395	578,716	855,547	748,133	2,458,791
Accumulated amortization:					
As at April 1, 2015	176,667	495,047	823,414	541,004	\$ 2,036,132
Additions	21,680	14,964	77,998	69,043	183,685
Disposals	(10,403)	-	(145,000)	-	(155,403)
	187,944	510,011	756,412	610,047	2,064,414
Net book value, March 31, 2016	\$ 88,451	\$ 68,705	\$ 99,135	\$ 138,086	\$ 394,377

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2014	\$ 273,096	\$ 555,933	\$ 872,734	\$ 712,636	\$ 2,414,399
Additions	3,061	3,103	67,039	14,207	87,410
	276,157	559,036	939,773	726,843	2,501,809
Accumulated amortization:					
As at April 1, 2014	152,288	479,501	722,552	479,058	1,833,399
Additions	24,379	15,546	100,862	61,946	202,733
	176,667	495,047	823,414	541,004	2,036,132
Net book value, March 31, 2015	\$ 99,490	\$ 63,989	\$ 116,359	\$ 185,839	\$ 465,677

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

6. Accumulated surplus:

	2016	2015
Unrestricted	\$ 3,126,627	\$ 3,580,080
Invested in tangible capital assets	394,377	465,677
Capital reserves	106,796	127,153
	<u>\$ 3,627,800</u>	<u>\$ 4,172,910</u>

7. Line of credit:

The Association 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, 2016 (2015 - nil).

8. Related party transactions:

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

The Association 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 \$10,395 (2015 - \$13,675).

9. Commitments:

The Association has annual operating lease payments, exclusive of operating costs. Minimum future lease payments as at March 31, 2016 are as follows

2017	\$	725,819
2018		725,819
2019		31,637
2020		15,276
	<u>\$</u>	<u>1,498,551</u>

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Pension plan:

The Association 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 185,000 active members and approximately 80,000 retired members. Active members include approximately 97 contributors from the Association.

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 Association paid \$680,280 for employer contributions to the Plan in fiscal 2016 (2015 - \$661,167).

11. Expenses by object:

	2016	2015
Compensation and benefits	\$ 9,535,836	\$ 8,878,080
Legal and professional	3,102,815	1,630,770
Travel and meetings	1,687,009	626,439
Rental - office and equipment	1,309,147	1,264,839
Office and information technology	876,720	993,949
Arbitration and hearing costs	214,969	195,195
Amortization	183,685	202,733
Staff training, research and memberships	153,144	137,285
Recruiting and relocation	144,171	83,769
GST - unrecoverable	81,873	70,959
	<u>\$ 17,289,369</u>	<u>\$ 14,084,018</u>

12. Financial risk management:

(a) Fair values:

The Association'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 the Money Market Fund Series O investment which is measured at fair value.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2016

12. Financial risk management (continued):

(b) Credit risk:

The Association has limited exposure to credit risk associated with its cash, short-term investments, and accounts receivable. The Association 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 investments are held in Canadian money market funds. The Association's maximum exposure to credit risk is limited to the carrying amount of the balances in the financial statements of \$11,816,530 (2015 - \$12,188,929).

(c) Interest rate risk:

The Association is not subject to any significant interest rate risk other than the short-term investments held in guaranteed investment certificates which are subject to fair value risk due to fixed interest rates on them ranging from 1.10% to 1.60%.

(d) Liquidity risk:

The Association does not have significant liquidity risk as it has sufficient cash to meet its liabilities as they come due. Short-term investments, 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.

13. Trust under administration:

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

	2016	2015
Occupational health, safety & violence prevention (NBA)	\$ 4,543,692	\$ 2,859,910
Occupational health, safety & violence prevention (FBA)	1,488,454	1,142,214
Nurse policy commitments	1,028,734	2,511,292
Enhanced disability management project (NBA)	588,508	371,090
Health safety in action initiative	529,493	2,000,000
Enhanced disability management project (CBA)	402,678	175,024
Enhanced disability management project (FBA)	336,364	251,992
Practice ready assessment - BC program (PRA-BC)	-	644,130
	<u>\$ 8,917,923</u>	<u>\$ 9,955,652</u>

Beginning on April 1, 2015 and until the end of fiscal year 2016/17, the Province authorized the Association and its Health Match BC division to provide administrative and financial management of the Practice Ready Assessment – BC Program and its funding and hence the program's revenue and expenses are accounted for in the Association's statement of operations under contracted operations.