

Financial Statements of

**ORGANIZED CRIME AGENCY OF
BRITISH COLUMBIA SOCIETY**

Year ended March 31, 2016



KPMG Enterprise™
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Governance of Organized Crime Agency of British Columbia Society

We have audited the accompanying financial statements of the Organized Crime Agency of British Columbia Society, 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 Organized Crime Agency of British Columbia Society as at March 31, 2016, its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The financial statements of the Organized Crime Agency of British Columbia Society as at and for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 9, 2015.

KPMG LLP

Chartered Professional Accountants

May 30, 2016
Burnaby, Canada

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY


Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash	\$ 1,511,029	\$ 1,635,180
Accounts receivable (note 4)	203,539	202,123
Due from RCMP (note 2)	800,926	565,541
	<u>2,515,494</u>	<u>2,402,844</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	969,644	858,649
Net financial assets	1,545,850	1,544,195
Non-financial assets:		
Prepaid expenses	433	369
Economic dependence (note 2)		
Accumulated surplus	<u>\$ 1,546,283</u>	<u>\$ 1,544,564</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Statement of Operations

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

	2016	2015
Revenue		
RCMP contributions (note 2)	\$ 6,600,000	\$ 5,600,000
Other	14,556	16,776
	<u>6,614,556</u>	<u>5,616,776</u>
Expenses		
Salaries, wages and benefits	6,602,205	6,066,107
Bank charges and interest	1,882	1,915
Membership	965	1,462
Professional services	7,785	7,514
	<u>6,612,837</u>	<u>6,076,998</u>
Annual surplus (deficit)	1,719	(460,222)
Accumulated surplus, beginning of year	1,544,564	2,004,786
Accumulated surplus, end of year	<u>\$ 1,546,283</u>	<u>\$ 1,544,564</u>

See accompanying notes to financial statements.

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Statement of Changes in Net Financial Assets

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

	2016	2015
Annual surplus (deficit)	\$ 1,719	\$ (460,222)
Acquisition of prepaid expenses	(433)	(369)
Use of prepaid expenses	369	324
Increase (decrease) in net financial assets	1,655	(460,267)
Net financial assets, beginning of year	1,544,195	2,004,462
Net financial assets, end of year	\$ 1,545,850	\$ 1,544,195

See accompanying notes to financial statements.

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operating:		
Annual surplus (deficit)	\$ 1,719	\$ (460,222)
Changes in non-cash operating working capital:		
Accounts receivable	(1,416)	(479)
Due from RCMP	(235,385)	1,461,899
Prepaid expenses and deposits	(64)	(45)
Accounts payable and accrued liabilities	110,995	154,731
Increase (decrease) in cash	(124,151)	1,155,884
Cash, beginning of year	1,635,180	479,296
Cash, end of year	\$ 1,511,029	\$ 1,635,180

See accompanying notes to financial statements.

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Notes to Financial Statements

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

1. Operations

The Organized Crime Agency of British Columbia Society (the 'Society') was incorporated on March 15, 1999, under the Society Act to facilitate the disruption and suppression through Combined Forces Special Enforcement Unit ("CFSEU-BC") of organized crime which affects British Columbians. The Society was also established as a Designated Policing and Law Enforcement Unit on March 23, 1999, under the Police Act. The Society is exempt from income taxes.

Operations of the Society commenced effective April 1, 1999.

The Society has a Board of Governance. The directors are appointed by the British Columbia Minister of Public Safety and Solicitor General.

2. Economic dependence and related party transactions:

On July 4, 2006, a Memorandum of Understanding ("MOU") between all parties was signed with respect to financial, administrative, and operational policies and procedures of CFSEU-BC. Under the MOU, the Society is dependent on the Royal Canadian Mounted Police ("RCMP") to fund their financial obligations in the areas of salaries, wages and benefits of the Society's employees.

Total funding contributions from RCMP for the year ended March 31, 2016 amounts to \$6,600,000 (2015 - \$5,600,000). Amounts due from RCMP as at March 31, 2016 amounts to \$800,926 (2015 - \$565,541). Outstanding accounts receivable are for refundable expenses related to criminal investigations that will be reimbursed to the Society by the RCMP.

3. Summary of significant accounting policies:

The financial statements of the Society have been prepared in accordance with Canadian public sector accounting standards, as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada and include the following accounting policies:

(a) Revenue recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be estimated and collection is reasonably assured.

Contributions restricted for specific types of operations or specific periods are deferred and recognized when the restrictions have been met.

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Notes to Financial Statements

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

3. Summary of significant accounting policies (continued):

(b) Use of estimates:

In preparing the financial statements, management 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 expense during the year. Actual results could differ from those reported.

(c) Employee future benefits:

The Society and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

(d) Budget figures:

A budget has not been presented as there was no budget approved by the Board of Governance for the current year.

(e) Segment disclosure and functional presentation of expenses:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Management believes that the Society's activities comprise of only one segment and hence no additional disclosure is required. Furthermore, as the operations of the Society are comprised of one single function, the statement of operations presents expenses by object.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of re-measurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair values are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of re-measurement gains and losses.

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Notes to Financial Statements

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

3. Summary of significant accounting policies (continued):

(f) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the statement of operations.

The standards require the Society to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable Inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

There are no financial instruments carried at fair value as at year end and as a result, the statement of re-measurement gains and losses has not been prepared.

4. Accounts receivable

	2016	2015
Advance receivable	\$ 200,000	\$ 200,000
Interest and other receivable	3,539	2,123
	<u>\$ 203,539</u>	<u>\$ 202,123</u>

An advance was made to an employee for use in paying for criminal investigation expenses, the reimbursement for which are made by the RCMP and, accordingly, such expenses are not reflected in these financial statements. There is no fixed repayment date and this receivable bears no interest.

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances owing for payroll remittances totaling \$98,008 (2015 - \$137,046).

ORGANIZED CRIME AGENCY OF BRITISH COLUMBIA SOCIETY

Notes to Financial Statements

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

6. Employee future benefits:

The Society and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit plan. Basic pension benefits provided are based on a formula. As at December 31, 2015, the plan had approximately 185,000 active members and 80,000 retired members.

Every three years, an independent actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The Society paid \$603,922 (2015 - \$588,252) for employer contributions to the Plan in fiscal 2016.

7. Funds held in trust

During the year, the Society entered into an agreement with the British Columbia Ministry of Justice (the "Ministry") to act as a financial administrator. As the financial administrator, the Society bills and collects funds for biology casework analysis on behalf of the Ministry. As at March 31, 2016, the Society has collected and holds \$311,788, which has not been included within the financial statements of the Society.