

Management's Responsibility for Financial Reporting


Management is responsible for the integrity and fair presentation of the financial statements and other financial information included in this annual service plan report. Management has prepared the financial statements in accordance with Canadian public sector accounting standards (PSAS).

We oversaw the design of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with PSAS. We also directed the evaluation of the effectiveness of these internal controls and we are not aware of any material weakness in these controls.

We believe that the financial statements and other financial information in this annual service plan report fairly present in all material respects the financial condition, results of operations and cash flows of the British Columbia Securities Commission (BCSC) as of the dates and for the periods presented. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. We do not believe it is likely that any differences will be material.

The Board is responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent Audit Committee to oversee the financial reporting process. The Audit Committee meets regularly throughout the year with management, the internal auditors and the external auditors to review the financial statements, adequacy of internal controls relating to financial reporting, and internal and external audit functions. The external auditor has full and open access to the Audit Committee, with and without the presence of management.

BDO Canada LLP (BDO), the BCSC's independent auditor, has examined the financial statements and its report follows.



Brenda M. Leong
Chair and Chief Executive Officer



Peter J. Brady
Executive Director



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INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the British Columbia Securities Commission

We have audited the accompanying financial statements of the British Columbia Securities Commission, which comprise the Statement of Financial Position as at March 31, 2018, and the Statements of Operations and Change in Accumulated Surplus, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and 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 consolidated 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 consolidated 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 consolidated 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 British Columbia Securities Commission as at March 31, 2018 and its results of operations, changes in net financial assets, remeasurement gains and losses and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 3, 2018

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Statement of Financial Position

As at March 31, 2018

(audited)

	March 31, 2018	March 31, 2017
Financial assets		
Cash (note 4)	\$ 9,822,092	\$ 10,070,585
Restricted cash - 161(1)(g) payments (note 5)	223,626	332,046
Investments (note 6)	55,660,041	51,043,118
Amounts receivable (note 7)	1,605,617	1,632,891
	\$ 67,311,376	\$ 63,078,640
Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 2,392,685	\$ 1,679,060
Accrued salaries and benefits	1,339,455	1,917,923
Deferred registration fee revenue	8,504,595	8,276,172
Employee leave liability (note 9)	1,109,141	1,040,599
161(1)(g) liabilities (note 5)	223,626	332,046
	\$ 13,569,502	\$ 13,245,800
Net financial assets	\$ 53,741,874	\$ 49,832,840
Tangible capital assets (note 10)	\$ 10,784,258	\$ 11,423,021
Prepaid expenses (note 11)	1,655,515	881,036
	\$ 12,439,773	\$ 12,304,057
Accumulated Surplus	\$ 66,181,647	\$ 62,136,897
Accumulated Surplus is comprised of:		
Unrestricted operating surplus (note 12)	\$ 26,167,401	\$ 24,729,701
Restricted operating surplus (note 12)	40,717,247	37,933,152
	66,884,648	62,662,853
Accumulated remeasurement losses	(703,001)	(525,956)
	\$ 66,181,647	\$ 62,136,897

Commitments and contingencies (note 19)

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

Approved by the Board:


Brenda M. Leong
Chair and Chief Executive Officer

Suzanne K. Wiltshire
Chair, Audit Committee

Statement of Operations and Change in Accumulated Surplus

For the Year Ended March 31, 2018

(audited)

	March 31, 2018 Budget (note 20)	March 31, 2018 Actual	March 31, 2017 Actual
Revenues			
Regulatory and other fees			
Prospectus and other distributions	\$ 22,300,000	\$ 26,383,044	\$ 23,867,429
Registration	12,000,000	12,176,017	11,891,660
Financial filings	4,450,000	4,736,801	4,605,436
Exemptive orders and other	250,000	376,536	373,489
National systems access and usage fees (note 13)	6,300,000	6,158,744	6,247,627
Enforcement sanctions (note 14)	300,000	222,067	952,089
Investment income (note 15)	700,000	910,970	799,073
Realized (loss) gain on investments (note 15)	–	(138,118)	145,320
	\$ 46,300,000	\$ 50,826,061	\$ 48,882,123
Expenses			
Local operations (note 16)	\$ 44,400,000	\$ 42,580,215	\$ 42,703,003
Partnership operations (note 16)	5,300,000	4,024,051	3,882,142
	\$ 49,700,000	\$ 46,604,266	\$ 46,585,145
Annual surplus (deficit)	\$ (3,400,000)	\$ 4,221,795	\$ 2,296,978
Accumulated operating surplus, beginning of year		\$ 62,662,853	\$ 60,365,875
Accumulated operating surplus, end of year		\$ 66,884,648	\$ 62,662,853

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

Statement of Remeasurement Gains and Losses

For the Year Ended March 31, 2018

(audited)

	March 31, 2018	March 31, 2017
Accumulated remeasurement losses, beginning of year	\$ (525,956)	\$ (488,523)
Unrealized (losses) gains on investments (note 15)	(315,163)	107,887
Realized losses (gains) on investments, reclassified to operations (note 15)	138,118	(145,320)
Accumulated remeasurement losses, end of year	\$ (703,001)	\$ (525,956)

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

Statement of Change in Net Financial Assets

For the Year Ended March 31, 2018

(audited)

	March 31, 2018 Budget (note 20)	March 31, 2018 Actual	March 31, 2017 Actual
Surplus (deficit), for the year	\$ (3,400,000)	\$ 4,221,795	\$ 2,296,978
Acquisition of tangible capital assets	\$ (7,200,000)	\$ (2,195,125)	\$ (4,454,594)
Write-off of intangible capital assets	-	-	-
Depreciation of tangible capital assets	2,550,000	2,833,887	3,095,326
	\$ (4,650,000)	\$ 638,762	\$ (1,359,268)
Acquisition of prepaid expenses		\$ (1,777,415)	\$ (1,190,840)
Use of prepaid expenses		1,002,937	1,277,893
		\$ (774,478)	\$ 87,053
Effect of net remeasurement losses for the year		\$ (177,045)	\$ (37,433)
Increase in net financial assets, for the year		\$ 3,909,034	\$ 987,330
Net financial assets, beginning of year		49,832,840	\$ 48,845,510
Net financial assets, end of year		\$ 53,741,874	\$ 49,832,840

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

Statement of Cash Flows

For the Year Ended March 31, 2018

(audited)

	March 31, 2018	March 31, 2017
Operating transactions		
Cash received from:		
Fees	\$ 50,155,917	\$ 46,939,239
Enforcement sanctions	252,129	979,093
Interest	544,267	479,183
	\$ 50,952,313	\$ 48,397,515
Cash paid to and on behalf of employees	\$ (30,130,893)	\$ (29,948,450)
Cash paid to suppliers and others	(14,309,407)	(13,053,317)
	\$ (44,440,300)	\$ (43,001,767)
Cash provided by operating transactions	\$ 6,512,013	\$ 5,395,748
Capital transactions		
Cash used to acquire tangible capital assets	\$ (2,195,125)	\$ (4,454,594)
Investing transactions		
Proceeds from disposals of investments	\$ 47,000,000	\$ 5,500,000
Purchase of investments	(51,565,382)	(25,750,000)
	\$ (4,565,382)	\$ (20,250,000)
Decrease in cash	\$ (248,494)	\$ (19,308,847)
Cash, beginning of year	\$ 10,070,585	\$ 29,379,432
Cash, end of year	\$ 9,822,092	\$ 10,070,585

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

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

1. Nature of operations

The British Columbia Securities Commission (BCSC) is a Crown corporation created by the Province of British Columbia on April 1, 1995. We are responsible for the administration of the *Securities Act*. As a Crown corporation, the BCSC is exempt from income taxes. We pay PST (7%) and GST (5%) on taxable purchases but recover the GST.

2. Significant accounting policies

Management has prepared these financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant accounting policies followed in the preparation of these financial statements are:

a) Interest in national systems partnership (Partnership)

The CSA is an umbrella organization of Canada's ten provincial and three territorial securities regulators, whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. BCSC, Alberta Securities Commission, Ontario Securities Commission, and Autorité des marchés financiers (collectively, the Principal Administrators or PAs) have agreed to oversee CSA's shared information systems, on behalf of the CSA. Each of the PAs has one vote on shared system matters.

We collect approximately 80 percent of our fee revenue through the national systems. The Partnership contracted CGI Information Systems and Management Consultants Inc. (CGI) to provide IT services to January 13, 2019. CGI maintains a comprehensive business continuity plan for the national systems.

The Partnership charges user fees to recover systems development and operating costs. The Partnership has agreed to use its accumulated surpluses only for the benefit of systems users.

The national systems arrangement is a government partnership under PSAS. Accordingly, these financial statements include 25 percent of the assets, liabilities, net assets, revenues and expenses of the Partnership.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

b) Financial instruments

Our financial instruments include cash, restricted cash, investments, amounts receivable, accounts payable, accrued liabilities, accrued salaries and benefits, and 161(1)(g) liabilities.

We account for all of our financial instruments on a fair value basis, as follows:

- We record cash, restricted cash, and investments at fair value (fair value measurement hierarchy level one – quoted market prices). We consider the fair value of our investments to be market value because they are highly liquid.
- We record all other financial instruments at cost, which approximates fair value, due to their short-term nature.

We recognize realized gains and losses in annual operating surplus/deficit. We record unrealized gains and losses separately in the statement of accumulated remeasurement gains and losses. We reinvest any investment earnings in the portfolio and adjust the carrying value of the units we own accordingly.

c) 161(1)(g) payments

The BCSC can order respondents to pay to us money obtained as a result of contravening the *Securities Act*. If the BCSC receives money under such an order, we receive and consider applications for payment to eligible claimants from the money collected. We allocate funds to eligible claimants after adjudicating all claims, and retain any funds not disbursed after adjudicating all claims.

d) Tangible capital assets

We record tangible capital assets at cost. We depreciate them using the straight-line method over their useful lives.

We estimate the useful lives of our tangible capital assets to be as follows:

- Local information technology – three to five years
- Local leasehold improvements – the remaining lease term to November 30, 2021
- Local office furniture and equipment – ten years
- Partnership information technology – seven years

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

e) Revenue recognition

We recognize revenue for prospectus and other statutory filing fees when filings are made and collectability is assured. The amounts due and their collectability are normally determined simultaneously, as almost all filings are paid for immediately.

We receive annual registration fees and recognize them in revenue in the calendar year to which they relate.

We recognize enforcement sanctions revenue when we determine sanctions are collectible.

f) Expenses

We recognize expenses on an accrual basis. We expense the cost of goods consumed and services received during the year.

The BCSC seconded certain employees and provides information technology, payroll, and financial accounting support, on a cost recovery basis, to the Canadian Securities Regulation Regime Transition Office (CSTO) and Capital Markets Authority Implementation Organization (CMAIO). These arrangements support the B.C. government's work to build the Capital Markets Regulatory Authority (CMRA). We net reimbursements against corresponding salaries and benefits costs.

g) Employee future benefits

We participate in the Public Service Pension Plan, a multi-employer defined benefit pension plan. We account for the plan as a defined contribution plan as we have insufficient information to apply defined benefit plan accounting. Pension costs included in our financial statements are comprised of the cost of employer contributions related to the current service of employees during the year.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

h) Measurement uncertainty

PSAS require management to make estimates and assumptions for certain amounts disclosed in the financial statements.

In our financial statements, management has estimated the:

- portion of amounts receivable that we will collect
- useful lives of tangible capital assets
- value of the employee leave liability

Estimates reflect the best information available when we prepare the financial statements. Actual results may differ from these estimates. We will record any adjustments to these estimates in the period that additional information becomes available.

3. Financial instruments

Cash and restricted cash are demand deposits held at Schedule 1 chartered banks.

Under the *Securities Act*, we must invest any money that we receive relating to local operations, but do not immediately need, in investment pools that the British Columbia Investment Management Corporation (BCI), a B.C. government organization, administers.

We buy units of the following BCI pooled funds:

- Canadian Money Market Fund – Canadian money market investments with original maturities of less than 15 months
- Short Term Bond Fund – Canadian federal and provincial government bonds and Canadian dollar fixed income securities that are insured or guaranteed by sovereign governments, and supranational debt securities, all maturing within five years
- Canadian Universe Bond Fund – Canadian federal and provincial government bonds, Canadian dollar fixed income securities insured or guaranteed by sovereign governments, and investment-grade corporate debt securities, all maturing within 30 years

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

Our investments in financial instruments expose us to financial risks associated with the funds and the underlying securities held in the investment funds, including credit risk, market risk, and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the risk of loss from unfavourable changes in fair value or future cash flows of a financial instrument. Market risk is comprised of currency risk, interest rate risk, and price risk. Liquidity risk is the risk that the BCSC will encounter difficulty in meeting obligations associated with its financial liabilities.

In management's opinion, our investments do not expose the BCSC to significant credit risk because we invest in liquid, high quality money market instruments, government securities, and investment-grade corporate debt securities. Liquidity risk is low because our investments are in pooled fund units redeemable within two weeks, without penalty. The underlying assets in the pools are also highly liquid. We have low exposure to currency risk.

Our investments expose us to interest rate risk associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term interest-bearing securities. Based on the March 31, 2018 composition of our investment portfolio, an immediate 1 percent increase in interest rates across the entire yield curve, with all other variables held constant, would result in a decrease in market value of approximately \$1.1 million. In addition, future investment income earned on variable rate cash deposits and new investments would increase after an interest rate increase. We expect interest rates to rise slightly over the coming year. We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator, BCI. The current investment duration of the Short Term Bond Fund is 2.7 years and of the Canadian Universe Bond Fund is 7.3 years.

In management's opinion, amounts receivable, accounts payable, and accrued liabilities and accrued salaries do not expose us to significant financial risk because of their short-term nature.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

4. Cash

	March 31, 2018	March 31, 2017
Local demand deposits	\$ 4,181,126	\$ 5,099,036
Partnership demand deposits	5,640,966	4,971,549
	\$ 9,822,092	\$ 10,070,585

Local working capital cash and the Partnership's working capital cash, are on deposit with Schedule 1 chartered banks, and earn interest ranging from prime minus 1.85% to prime minus 1.70%.

5. Restricted cash - 161(1)(g) payments and 161(1)(g) liabilities

Case	March 31, 2018	March 31, 2017
Donald Weiss	\$ 50	\$ –
Jefferson Franklin Mesidor	6,030	–
Winston King-Loong Kuit	81,485	75,985
Ayaz Dhanani	–	120,000
Weiqing Jane Jin	4,280	4,280
Canada Pacific Consulting Inc. and Michael Robert Shantz	131,781	131,781
	\$ 223,626	\$ 332,046

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

6. Investments

	March 31, 2018		March 31, 2017	
	Market Value	Cost	Market Value	Cost
BCI pooled funds				
Money Market Fund	\$ 667	\$ 667	\$ 7,000,050	\$ 6,999,937
Short Term Bond Fund	19,485,585	19,748,429	6,036,412	6,070,818
Canadian Universe Bond Fund	7,358,406	7,798,563	9,256,656	9,748,319
	\$ 26,844,658	\$ 27,547,659	\$ 22,293,118	\$ 22,819,074
Partnership investments				
1 year term deposit	\$ 7,500,000	\$ 7,500,000	\$ 10,000,000	\$ 10,000,000
15 months GIC	10,000,000	10,000,000	8,750,000	8,750,000
Notice account	11,315,383	11,315,383	10,000,000	10,000,000
	\$ 28,815,383	\$ 28,815,383	\$ 28,750,000	\$ 28,750,000
	\$ 55,660,041	\$ 56,363,042	\$ 51,043,118	\$ 51,569,074

Refer to note 15 for information about investment income on the investments. The Partnership's investments are held in redeemable term deposits and guaranteed investment certificates at fixed interest rates of 1.8% to 2.4%.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

7. Amounts receivable

	March 31, 2018	March 31, 2017
National systems user fees	\$ 859,922	\$ 1,123,595
SEDAR filings	297,366	118,350
GST refunds	122,971	38,113
Due from CMAIO	107,013	85,159
Due from CSTO	89,058	91,326
Employee advances and other	51,372	27,323
Late insider report filing fees	31,700	13,815
Enforcement sanctions	27,500	55,934
National project recoveries	18,715	79,276
	\$ 1,605,617	\$ 1,632,891

8. Accounts payable and accrued liabilities

	March 31, 2018	March 31, 2017
Local trade accounts payable	\$ 1,950,957	\$ 576,396
Partnership trade accounts payable	156,185	697,716
Other	285,543	404,948
	\$ 2,392,685	\$ 1,679,060

9. Employee leave liability

Employee leave liability is what we owe to our employees for their accumulated vacation time.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

10. Tangible capital assets

	March 31, 2018				Total
	Local Information Technology	Local Leasehold Improvements	Local Furniture & Equipment	Partnership Information Technology	
Cost					
Opening balance	\$ 14,645,212	\$ 5,911,949	\$ 2,808,961	\$ 3,960,716	\$ 27,326,838
Additions	1,159,945	–	17,629	1,017,551	2,195,125
Disposals	(3,618,150)	–	(140,084)	–	(3,758,234)
Write-downs	–	–	–	–	–
Closing balance	\$ 12,187,007	\$ 5,911,949	\$ 2,686,506	\$ 4,978,267	\$ 25,763,728
Accumulated depreciation					
Opening balance	\$ 8,746,152	\$ 4,526,991	\$ 2,329,122	\$ 301,552	\$ 15,903,817
Depreciation	2,390,160	297,213	73,103	73,411	2,833,887
Disposals	(3,618,150)	–	(140,084)	–	(3,758,234)
Write-downs	–	–	–	–	–
Closing balance	\$ 7,518,162	\$ 4,824,204	\$ 2,262,141	\$ 374,963	\$ 14,979,470
Net book value	\$ 4,668,845	\$ 1,087,745	\$ 424,365	\$ 4,603,304	\$ 10,784,258
March 31, 2017					
	Local Information Technology	Local Leasehold Improvements	Local Furniture & Equipment	Partnership Information Technology	Total
Cost					
Opening balance	\$ 14,369,675	\$ 5,911,949	\$ 2,858,990	\$ 646,535	\$ 23,787,149
Additions	1,140,414	–	–	3,314,180	4,454,594
Disposals	(864,877)	–	(50,029)	–	(914,906)
Write-downs	–	–	–	–	–
Closing balance	\$ 14,645,212	\$ 5,911,949	\$ 2,808,961	\$ 3,960,716	\$ 27,326,838
Accumulated depreciation					
Opening balance	\$ 7,026,625	\$ 4,229,778	\$ 2,286,154	\$ 180,840	\$ 13,723,397
Depreciation	2,584,404	297,213	92,997	120,712	3,095,326
Disposals	(864,877)	–	(50,029)	–	(914,906)
Write-downs	–	–	–	–	–
Closing balance	\$ 8,746,152	\$ 4,526,991	\$ 2,329,122	\$ 301,552	\$ 15,903,817
Net book value	\$ 5,899,060	\$ 1,384,958	\$ 479,839	\$ 3,659,163	\$ 11,423,021

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

11. Prepaid expenses

	March 31, 2018	March 31, 2017
Local hardware and software maintenance contracts	\$ 465,459	\$ 392,777
Partnership information services	1,157,624	458,675
Partnership software maintenance	32,432	29,584
	\$ 1,655,515	\$ 881,036

12. Accumulated operating surplus

	March 31, 2018			
	General	Education (a)	Partnership (b)	Total
Opening balance	\$ 24,522,385	\$ 207,316	\$ 37,933,152	\$ 62,662,853
Additions and appropriations	1,215,633	222,067	2,784,095	4,221,795
Investment income allocation	(2,824)	2,824	–	–
Education disbursements paid from reserve	432,207	(432,207)	–	–
Closing balance	\$ 26,167,401	\$ –	\$ 40,717,247	\$ 66,884,648

	March 31, 2017			
	General	Education (a)	Partnership (b)	Total
Opening balance	\$ 25,401,883	\$ –	\$ 34,963,992	\$ 60,365,875
Additions and appropriations	(1,604,271)	932,089	2,969,160	2,296,978
Investment income allocation	(4,107)	4,107	–	–
Education disbursements paid from reserve	728,880	(728,880)	–	–
Closing balance	\$ 24,522,385	\$ 207,316	\$ 37,933,152	\$ 62,662,853

a) Education reserve (internally-restricted)

We order administrative penalties and 161(1)(g) payments under the *Securities Act*. We also negotiate settlement amounts. We designate revenue from penalties, settlements, and unclaimed 161(1)(g) payments to our Education reserve, which we spend only to educate securities market participants and the public about investing, financial matters, or the operation or regulation of securities markets.

b) Partnership (restricted)

The partners have agreed to use Partnership surpluses only for the benefit of systems users.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

13. Partnership - summarized annual financial information

	March 31, 2018		March 31, 2017	
	Partnership	25% share	Partnership	25% share
Financial Position				
Financial assets	\$ 141,265,080	\$ 35,316,270	\$ 139,380,573	\$ 34,845,143
Liabilities	1,569,538	392,385	4,237,653	1,059,413
Net Financial assets	\$ 139,695,542	\$ 34,923,886	\$ 135,142,920	\$ 34,273,989
Non-financial assets	23,173,444	5,793,361	16,589,688	4,147,422
Accumulated surplus	\$ 162,868,986	\$ 40,717,247	\$ 151,732,608	\$ 37,933,152
Operations				
Revenue	\$ 27,232,582	\$ 6,808,146	\$ 27,405,208	\$ 6,851,302
Expenses	16,096,204	4,024,051	15,528,568	3,882,142
Surplus	\$ 11,136,378	\$ 2,784,095	\$ 11,876,640	\$ 2,969,160
Cash flows				
Cash provided by (used in):				
Operating	\$ (11,136,378)	\$ (2,784,095)	\$ (11,876,640)	\$ (2,969,160)
Capital	14,070,205	1,017,551	13,256,722	3,314,180
Investing	9,743,842	2,435,961	(77,983,944)	(19,495,986)
Increase (decrease) in cash	\$ 2,677,669	\$ 669,417	\$ (76,603,862)	\$ (19,150,966)

14. Enforcement sanctions

Enforcement sanctions revenue includes administrative penalties, settlements, and unclaimed 161(1)(g) payments, if any. Revenues depend on the timing of enforcement actions completed during the year and on our ability to collect assessed amounts.

We assessed enforcement sanctions of \$6.0 million (fiscal 2017 - \$54.1 million) during the year, of which we did not recognize \$5.8 million (fiscal 2017 - \$53.0 million) as revenue because we do not expect to receive payment.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

15. Investment income, realized gains (losses) on investments, and unrealized gains (losses) on investments

For the Year Ended March 31, 2018						
	Average Balance	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash, term deposits and GIC	\$ 38,839,242	\$ 540,249	\$ –	\$ 540,249	\$ –	1.4%
Restricted cash - 161(1)(g) payments	299,430	4,018	–	4,018	–	1.3%
Canadian Money Market Fund	692,600	730	–	730	(113)	0.1%
Short Term Bond Fund	12,946,509	177,611	–	177,611	(228,438)	(0.4%)
Canadian Universe Bond Fund	8,247,807	188,362	(138,118)	50,244	(86,612)	(0.4%)
	\$ 61,025,588	\$ 910,970	\$ (138,118)	\$ 772,852	\$ (315,163)	0.7%

For the Year Ended March 31, 2017						
	Average Balance	Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Annualized Return
Cash, term deposits and GIC	\$ 38,779,971	\$ 477,470	\$ –	\$ 477,470	\$ –	1.2%
Restricted cash - 161(1)(g) payments	163,990	1,713	–	1,713	–	1.0%
Canadian Money Market Fund	961,565	(58)	(5)	(63)	108	–
Short Term Bond Fund	6,019,258	59,185	–	59,185	(17,417)	0.7%
Canadian Universe Bond Fund	11,780,422	260,763	145,325	406,088	125,196	4.5%
	\$ 57,705,206	\$ 799,073	\$ 145,320	\$ 944,393	\$ 107,887	1.8%

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

16. Expenses

	Budget 2018	Year ended March 31	
		2018	2017
Local operations			
Salaries and benefits	\$ 32,675,000	\$ 29,605,683	\$ 30,705,078
Professional services	1,700,000	2,072,215	1,822,153
Occupancy	3,200,000	3,322,796	3,175,682
Depreciation	2,400,000	2,760,476	2,974,614
Information management	1,800,000	1,797,306	1,762,558
Education disbursements	750,000	1,393,987	728,880
External communication	200,000	92,812	123,986
Administration	600,000	605,588	645,152
Staff training	375,000	522,093	284,487
Travel	500,000	285,388	302,152
Telecommunications	200,000	121,871	178,261
Total local operations	\$ 44,400,000	\$ 42,580,215	\$ 42,703,003
Partnership operations			
Salaries and benefits	\$ 800,000	\$ 636,497	\$ 641,212
Professional services	4,100,000	3,132,692	2,922,735
Depreciation	150,000	73,411	120,712
Information management and administration	250,000	181,451	197,483
Total Partnership operations	\$ 5,300,000	\$ 4,024,051	\$ 3,882,142
	\$ 49,700,000	\$ 46,604,266	\$ 46,585,145

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

17. Related party transactions

We are related through common ownership to all B.C. provincial government ministries, agencies, and Crown corporations. We conducted all transactions with these entities as though we were unrelated parties.

18. Post-retirement employee benefits

We, and our employees, contribute to the Public Service Pension Plan, a multi-employer plan. The plan is contributory, and its basic benefits are defined. The plan has about 55,000 active members and approximately 41,000 retired members. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

An actuarial valuation of the plan performed every three years assesses the plan's financial position. The latest valuation, as at March 31, 2017, indicated a \$1,895 million (March 31, 2014 - \$194 million) surplus for basic pension benefits. In addition to basic benefits, the plan also provides supplementary benefits, including inflation indexing. These supplementary benefits are paid only to the extent that they have been funded, which is currently done on a "pay-as-you-go" basis.

The plan trustees monitor the impact of the financial environment on plan health. Plan surpluses and deficits are not attributable to individual employers, but affect future contribution levels. We charged \$2.2 million (fiscal 2017 - \$3.2 million) to expense for employer contributions during the period.

Notes to the Financial Statements

For Year Ended March 31, 2018

(audited)

19. Commitments and contingencies

Our commitments relating to lease agreements for local office space are as follows:

<i>Fiscal year</i>	2019	2020	2021	2022	Total
	\$ 3,262,762	\$ 3,322,215	\$ 3,412,785	\$ 2,288,471	\$ 12,286,233

The Partnership's agreement with CGI to host and maintain the national systems has an initial term of five years, expiring on January 13, 2019, and is extendible for up to three additional years. The Partnership has certain rights to terminate the agreement, with and without cause.

During the year ended March 31, 2017, the Partnership signed an agreement with CGI to replace the national systems. Development is occurring in a multi-year phased approach. The Partnership has certain rights to terminate the agreement, with and without cause.

The BCSC has committed to pay 25 percent of any claim or expenses related to operation and redevelopment of the national systems that exceed the Partnership's surplus funds.

20. Budgeted figures

Budgeted figures are for comparison purposes.