

Financial Statements of

**HEALTH EMPLOYERS ASSOCIATION
OF BRITISH COLUMBIA**

Year ended March 31, 2018



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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, 2018, 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, 2018, 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 Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these financial statements fairly reflect, in all material respects, for the period under review, the financial position of the Health Employers Association of British Columbia and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.
- whether, in our opinion, these financial statements are prepared in accordance with generally accepted accounting principles. These financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. note 2(a) to the financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and not to generally accepted accounting principles.
- whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding year other than as explained in note 2(a).

KPMG LLP

Chartered Professional Accountants

May 25, 2018

Burnaby, Canada

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

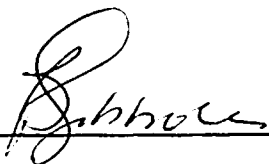
Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 4,082,177	\$ 1,296,459
Restricted cash (note 3)	4,177,428	2,364,109
Investments (note 4)	380,243	2,574,453
Restricted Investments (notes 3 and 4)	-	2,884,239
Accounts receivable	2,449,106	874,419
	<u>11,088,954</u>	<u>9,993,679</u>
Liabilities:		
Accounts payable and accrued liabilities	3,076,620	1,175,312
Deferred operating contributions (note 5)	4,177,428	5,248,348
Deferred capital contributions (note 6)	2,884,239	-
Deferred rent revenue (note 12)	204,589	-
Tenant inducements	2,247,570	149,072
Retirement benefit liability	276,382	258,592
	<u>12,866,828</u>	<u>6,831,324</u>
Net financial assets	(1,777,874)	3,162,355
Non-financial assets:		
Tangible capital assets (note 7)	5,283,921	412,231
Prepaid expenses	121,753	53,214
	<u>5,405,674</u>	<u>465,445</u>
Commitments (note 11)		
Contractual rights (note 12)		
Accumulated surplus (note 8)	\$ 3,627,800	\$ 3,627,800

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, 2018, with comparative information for 2017

	2018 Budget (note 2(i))	2018	2017
Revenue:			
Provincial government funding	\$ 12,833,215	\$ 9,985,607	\$ 9,448,215
Fees for service	50,000	106,985	100,810
Interest	53,700	130,764	81,259
	<u>12,936,915</u>	<u>10,223,356</u>	<u>9,630,284</u>
Restricted funding from deferred contributions for operations (note 5)	4,528,786	9,849,381	8,918,670
	<u>17,465,701</u>	<u>20,072,737</u>	<u>18,548,954</u>
Expenses (note 14):			
Ongoing operations:			
Knowledge management and compensation services	3,126,500	3,122,574	2,804,065
Legal services and strategic labour relations	4,325,300	3,118,640	3,179,372
Executive services and board governance	1,502,400	1,291,189	1,356,179
Strategic negotiations and benefits administration	1,373,100	1,062,465	1,168,692
Finance and administration	952,120	946,557	764,693
Nurse staffing secretariat	600,000	866,283	340,777
Absence management and occupational health and safety	898,000	506,936	369,970
General	125,000	296,431	198,881
Workforce violence prevention framework	-	6,238	-
Expenses from ongoing operations	<u>12,902,420</u>	<u>11,217,313</u>	<u>10,182,629</u>
Contracted operations:			
Practice ready assessment BC	2,150,000	2,309,296	2,146,164
Physician services	2,900,000	2,278,385	1,832,899
Recruitment services - Health Match BC	2,300,000	1,899,036	2,363,600
Rural GP Locum	1,340,000	1,340,243	664,307
Care aide registry	600,000	573,756	519,183
Health cross jurisdictional labour relations database	438,786	364,708	329,887
Integrated health human resource planning	-	90,000	510,285
Proposed new programs	1,450,000	-	-
Expenses from contracted operations	<u>11,178,786</u>	<u>8,855,424</u>	<u>8,366,325</u>
Total expenses from operations	<u>24,081,206</u>	<u>20,072,737</u>	<u>18,548,954</u>
Annual surplus (deficit)	(6,615,505)	-	-
Accumulated surplus, beginning of year	3,627,800	3,627,800	3,627,800
Accumulated surplus, end of year	<u>\$ (2,987,705)</u>	<u>\$ 3,627,800</u>	<u>\$ 3,627,800</u>

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	2018 Budget (note 2(i))	2018	2017
Annual surplus (deficit)	\$ (6,615,505)	\$ -	\$ -
Acquisition of tangible capital assets	(4,354,000)	(5,203,107)	(216,499)
Disposal of tangible capital assets	-	158,486	-
Amortization of tangible capital assets	200,000	172,931	198,645
Acquisition of prepaid expenses	-	(124,012)	(68,015)
Use of prepaid expenses	-	55,473	133,069
Increase (decrease) in net financial assets	(10,769,505)	(4,940,229)	47,200
Net financial assets, beginning of year	3,162,355	3,162,355	3,115,155
Net financial assets, end of year	\$ (7,607,150)	\$ (1,777,874)	\$ 3,162,355

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Statement of Cash Flow

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash flows provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ -	\$ -
Items not affecting cash:		
Amortization of tangible capital assets	172,931	198,645
Amortization of tenant inducements	(149,072)	(149,100)
Loss on disposal of tangible capital assets	158,486	-
	182,345	49,545
Changes in non-cash operating working capital:		
Accounts receivable	(1,574,687)	(22,000)
Prepaid expenses	(68,539)	65,054
Accounts payable and accrued liabilities	1,901,308	(775,206)
Deferred contributions	(1,070,920)	(936,296)
Deferred rent revenue	204,589	-
Tenant inducements	2,247,570	-
Retirement benefit liability	17,790	(9,449)
	1,839,456	(1,628,352)
Investing activities:		
Acquisition of tangible capital assets (net of deferred capital contributions)	(2,318,868)	(216,499)
Redemption of investments	2,194,210	2,500,806
Redemption of restricted investments	2,884,239	725,538
Restricted cash	(1,813,319)	(1,596,604)
	946,262	1,413,241
Increase in cash	2,785,718	(215,111)
Cash, beginning of year	1,296,459	1,511,570
Cash, end of year	\$ 4,082,177	\$ 1,296,459
Non-cash transactions:		
Acquisition of tangible capital assets with Deferred capital contributions	\$ 2,884,239	\$ -

See accompanying notes to financial statements.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2018

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. The Association has until November 28, 2018 to transition to the new Societies Act (British Columbia) which became effective November 28, 2016. The Association 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 in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework"). The adoption of this framework has had no impact on the comparative figures as at and for the year ended March 31, 2017 or any prior year.

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges, and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(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 amounts 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, 2018

2. Significant accounting policies (continued):

(c) Employee future benefits:

The Association and its employees participate in the Municipal Pension Plan ("MPP"). The MPP 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 1-week of an employee's regular pay for every 2-years of service to a maximum of 20-weeks. Payments made on this liability will be funded from cash as incurred.

(d) Tenant inducements:

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

(e) 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, 2018

2. Significant accounting policies (continued):

(e) 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.

(f) Accumulated surplus:

Various funds are included in 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 8 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. Funds released from their originally intended purpose and directed by the funder to be used for capital purposes will be recognized into revenue at the same rate that the respective capital asset is amortized.

(iii) Capital reserves:

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

(g) Financial instruments:

Financial instruments are classified upon initial recognition as a fair value or amortized cost instrument. The Association's financial instruments are measured as follows:

(i) Guaranteed investment certificates with fixed maturity dates are recorded at amortized costs. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held.

(ii) The Money market fund is a portfolio of investments in short-term securities. Due to the short-term nature of the investments in the fund, fair value of the fund approximates book value.

(iii) Accounts receivables, accounts payables, and accrued liabilities are measured at amortized cost. Due to the short-term nature of these instruments, their fair values approximate book value.

The Association does not have any financial instruments required or elected to be subsequently recorded at fair value.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(h) 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.

(i) Budget figures:

The budget information reported in the statements of operations and changes in net financial assets have been derived from the budget approved by the Board of Directors on March 3, 2017.

3. Restricted cash and investments:

Restricted cash and investments are funds held for the purposes of deferred operating contributions as described in note 5. Restricted cash is held in the Provincial Government's Central Deposit Program. Restricted investments are held in instruments as described in note 4.

4. Investments:

Investments are comprised of the following:

	2018	2017
Investments:		
Canadian money market fund	\$ 380,243	\$ 768,000
	380,243	768,000
Restricted Investments:		
Canadian money market funds	-	2,884,239
Guaranteed investment certificates	-	1,806,453
	-	4,490,692
	\$ 380,243	\$ 5,458,692

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred operating contributions:

	2018	2017
Balance, beginning of year	\$ 5,248,348	\$ 6,184,644
Provincial government funding received	10,656,555	7,951,342
Funds transferred to strategic negotiations (a)	973,492	-
Funds transferred to deferred capital contributions	(2,884,239)	-
Interest earned	32,653	31,032
	14,026,809	14,167,018
Less amounts recognized as revenue	(9,849,381)	(8,918,670)
Balance, end of year	\$ 4,177,428	\$ 5,248,348

(a) In accordance with the Association's annual funding directive, excess of core revenue over expenditures has been restricted for use toward the anticipated costs of the next public sector bargaining cycle.

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

	2018	2017
Physician services	\$ 3,000,000	\$ 1,500,000
Practice ready assessment BC	2,900,000	2,400,000
Recruitment services - Health Match BC	1,885,000	1,885,000
Rural GP Locum	998,857	1,005,450
Care aide registry	600,000	600,000
Nurse staffing secretariat	450,000	-
Workforce violence prevention framework	400,000	-
Health cross jurisdictional labour relations database	348,772	370,893
Integrated health human resource planning	73,926	190,000
	\$ 10,656,555	\$ 7,951,343

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred operating contributions (continued):

The balance of deferred operating contributions is restricted for the following purposes:

	2018	2017
Practice ready assessment BC	\$ 1,634,436	\$ 1,027,734
Strategic negotiations	1,104,720	-
Health cross jurisdictional labour relations database	422,482	438,419
Workforce violence prevention framework	393,733	-
Recruitment services - Health Match BC	236,379	250,414
Care aide registry	205,147	178,902
Rural GP Locum	111,180	452,566
Nurse staffing secretariat	69,351	-
Physician services	-	2,884,239
Integrated health human resource planning	-	16,074
	<u>\$ 4,177,428</u>	<u>\$ 5,248,348</u>

6. Deferred capital contributions:

During the year, the Ministry of Health provided a directive to the Association that released the prior year remaining funds of Physician Services from their originally intended purposes and directed the use of the funds strictly for capital purposes relating to the Association's move to its new premises. The deferred capital contribution balance represents the unamortized amount of funds received for the purchase of tangible capital assets as at March 31, 2018.

	2018	2017
Balance, beginning of year	\$ -	\$ -
Contributions transferred during the year	2,884,239	-
	<u>2,884,239</u>	<u>-</u>
Amortization during the year	-	-
Balance, end of year	<u>\$ 2,884,239</u>	<u>\$ -</u>

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Tangible capital assets:

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2017	\$ 284,205	\$ 603,023	\$ 921,587	\$ 866,475	\$ 2,675,290
Additions	41,531	890,390	1,103,805	3,167,381	5,203,107
Disposals	(198,833)	(565,603)	(271,915)	(875,525)	(1,911,876)
	126,903	927,810	1,753,477	3,158,331	5,966,521
Accumulated amortization:					
As at April 1, 2017	206,352	525,372	824,994	706,341	2,263,059
Additions	15,571	15,530	66,816	75,014	172,931
Disposals	(171,187)	(528,933)	(271,915)	(781,355)	(1,753,390)
	50,736	11,969	619,895	-	682,600
Net book value, March 31, 2018	\$ 76,167	\$ 915,841	\$ 1,133,582	\$ 3,158,331	\$ 5,283,921

	Office equipment	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost:					
As at April 1, 2016	\$ 276,395	\$ 578,716	\$ 855,547	\$ 748,133	\$ 2,458,791
Additions	7,810	24,307	66,040	118,342	216,499
	284,205	603,023	921,587	866,475	2,675,290
Accumulated amortization:					
As at April 1, 2016	187,944	510,011	756,412	610,047	2,064,414
Additions	18,408	15,361	68,582	96,294	198,645
	206,352	525,372	824,994	706,341	2,263,059
Net book value, March 31, 2017	\$ 77,853	\$ 77,651	\$ 96,593	\$ 160,134	\$ 412,231

Amortization on the leasehold improvements related to the new premises started on April 1, 2018 which is the effective date of the lease agreement.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Accumulated surplus:

	2018	2017
Invested in tangible capital assets:		
Tangible capital assets	\$ 5,283,921	\$ 412,231
Less: deferred capital contributions	(2,884,239)	-
	2,399,682	412,231
Unrestricted	1,123,533	3,110,850
Capital reserves	104,585	104,719
	\$ 3,627,800	\$ 3,627,800

9. 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 of credit has an outstanding balance of \$nil at March 31, 2018 (2017 - nil).

10. Related party transactions:

The Association is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospitals societies, universities, and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amount is equivalent to fair value.

11. Commitments:

The Association has annual operating lease payments related to its office equipment and premises. Minimum future lease payments as at March 31, 2018 exclusive of operating costs, are as follows:

Lease commitments:	Equipment	Premises	Total
2019	\$ 38,584	\$ 1,241,604	\$ 1,280,188
2020	19,191	1,241,604	1,260,795
2021	8,771	1,241,604	1,250,375
2022	7,449	1,241,604	1,249,053
2023	4,406	1,241,604	1,246,010
	\$ 78,401	\$ 6,208,020	\$ 6,286,421

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Commitments (continued):

The Association's former premises lease expired on March 31, 2018. The Association has entered into a lease agreement at its new premises effective April 1, 2018 for a term of 15 years expiring on March 31, 2033. The commitments shown above reflect the annual gross base rent costs under the new premises lease, exclusive of operating costs. The Association has also entered into license agreements to sub-let portions of the premises to other government organizations that will offset the annual gross rent by approximately \$342,576 per annum (note 12).

12. Contractual Rights:

The Association has entered into five year license agreements effective April 1, 2018, with the option to renew for two additional 5-year terms with the Healthcare Benefit Trust, British Columbia Public School Employers Association, and Post-Secondary Employers Association (the "tenant associations"), with respect to a portion of the Association's premises lease. The amounts shown below reflect the annual base rent recoveries, exclusive of operating costs, charged under license agreements for the tenant associations' use of space.

2019	\$	342,576
2020		342,576
2021		342,576
2022		342,576
2023		342,576
		<hr/>
	\$	1,712,880

Prior to the commencement of the licenses, the Association received \$204,589 in prepaid lease payments from the tenant associations which will be amortized as rent recoveries beginning April 1, 2018 in addition to the above contractual amounts.

13. Pension plan:

The Association and its employees contribute to the Municipal Pension Plan (the "MPP"), a jointly trustee pension plan. The Board of Trustees, representing the MPP members and employers, is responsible for overseeing the management of the MPP, including investment of the assets and administration of benefits. The MPP is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The MPP has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 112 contributors from the Association.

The most recent actuarial valuation as at December 31, 2015 indicated the MPP is fully funded and the funding ratio is 104.6%. The next valuation will be December 31, 2018, with results available in 2019. Employers participating in the MPP record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the MPP records accrued liabilities and accrued assets for the MPP 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 MPP.

The Association paid \$834,416 for employer contributions to the MPP in fiscal 2018 (2017 - \$756,747).

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

14. Expenses by object:

	2018	2017
Compensation and benefits	\$ 11,456,729	\$ 10,496,790
Travel and meetings	2,031,123	1,992,632
Legal and professional	2,407,686	2,713,160
Rental - office and equipment	1,592,157	1,420,950
Office and information technology	1,250,781	1,160,075
Travel and accommodation – Rural GP Locum	613,766	56,103
Amortization	172,931	198,646
Staff training, research and memberships	172,298	150,853
Arbitration and hearing costs	161,811	220,091
GST - unrecoverable	151,472	74,814
Recruiting and relocation	61,983	64,840
	<u>\$ 20,072,737</u>	<u>\$ 18,548,954</u>

15. Financial risk management:

(a) Fair values:

The Association's financial instruments include cash, 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.

(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 is 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 \$10,660,734 (2017 - \$9,993,679).

(c) 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, 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.

(d) The Association is not subject to any significant interest rate risk other than market risks related to its financial instruments.

HEALTH EMPLOYERS ASSOCIATION OF BRITISH COLUMBIA

Notes to Financial Statements (continued)

Year ended March 31, 2018

16. Trusts under administration:

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

	2018	2017
Occupational health, safety and violence prevention - Nurses Bargaining Association ("NBA")	\$ 7,218,536	\$ 5,855,497
Occupational health, safety and violence prevention - Facilities Bargaining Association ("FBA")	2,528,385	2,002,936
Enhanced disability management project - NBA	1,142,147	819,838
Nurse policy commitments	1,047,682	1,036,538
Enhanced disability management project - Community Bargaining Association	834,688	455,136
Enhanced disability management project - FBA	664,973	431,881
Health safety in action initiative	4,000	246,822
	<u>\$ 13,440,411</u>	<u>\$ 10,848,648</u>

17. Disclosure of remuneration:

For the fiscal year ending March 31, 2018, the Association paid total remuneration (including taxable benefits) of \$1,565,000 (2017 - \$1,510,000) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

The Association also paid total remuneration of \$31,250 (2017 - \$37,750) to the Chair of the Board of Directors.

18. Comparative figures:

Certain comparative figures have been reclassified to provide presentation consistency.