

Financial Statements of

BC FAMILY MAINTENANCE AGENCY

And Independent Auditors' Report thereon

From commencement of operations on November 1, 2019
to March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of BC Family Maintenance Agency

Opinion

We have audited the financial statements of the BC Family Maintenance Agency (the Agency), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and accumulated deficit for the period then ended
- the statement of changes in net debt for the period then ended
- the statement of cash flows for the period then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2020, and its results of operations and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 14, 2020

BC FAMILY MAINTENANCE AGENCY

Statement of Financial Position

As at March 31, 2020

Financial Assets	
Cash and cash equivalents	\$ 631,506
Accounts receivable (note 2)	203,109
	<hr/> 834,615
Financial Liabilities	
Accounts payable and accrued liabilities (note 3)	591,691
Accrued employee benefits	741,795
Obligations under capital lease (note 4)	259,323
	<hr/> (758,194)
Non-Financial Assets	
Tangible capital assets (note 5)	289,028
Prepaid expenses	273,486
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Accumulated deficit	\$ (195,680)

Trust fund (note 6)
Commitments (note 7)
Subsequent event (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Richard J.M. Fyfe, Q.C.
Chair



Kevin Jardine
Director

BC FAMILY MAINTENANCE AGENCY

Statement of Operations and Accumulated Deficit

From commencement of operations on November 1, 2019 to March 31, 2020

	2019 Budget (note 1(h))	2019
Revenue:		
Operational revenue	\$ 7,707,083	\$ 7,523,461
Default fee collection	166,667	166,667
Federal funding	149,583	137,424
CCSS project	60,000	62,159
Telecommunication transfer	48,333	28,087
Transition funding	-	14,949
Interest revenue	-	7,039
Trust fund reimbursement	10,417	6,452
Funding for ISO web support	2,917	2,917
	8,145,000	7,949,155
Expenses:		
Salaries and benefits	4,812,420	4,752,202
Operating benefits	700,397	865,011
Facilities	829,000	799,692
B&T solutions	594,194	269,742
Contracts	232,000	265,320
Management benefits	212,189	233,117
Office expenses and equipment	215,199	210,648
Default fee salaries and benefits	166,667	166,667
Legal benefits	126,134	125,912
Other costs	75,000	99,754
Travel	73,000	86,041
Staff development	108,800	75,049
	8,145,000	7,949,155
Surplus from operations before the undernoted	-	-
One-time loss related to the transfer of the Program (note 10)	-	195,680
Annual deficit, being accumulated deficit, end of year	\$ -	\$ (195,680)

See accompanying notes to financial statements.

BC FAMILY MAINTENANCE AGENCY

Statement of Changes in Net Debt

From commencement of operations on November 1, 2019 to March 31, 2020

Annual deficit	\$ (195,680)
Acquisition of tangible capital assets	(289,028)
Acquisition of prepaid expenses	(273,486)
<hr/> Change in net debt and net debt, end of period	<hr/> \$ (758,194)

See accompanying notes to financial statements.

BC FAMILY MAINTENANCE AGENCY

Statement of Cash Flows

From commencement of operations on November 1, 2019 to March 31, 2020

Cash provided by (used in):

Operating activities:

Annual deficit	\$ (195,680)
One-time loss related to the transfer of the Program (note 10)	195,680
Net change in non-cash operating working capital:	
Accounts receivable	(203,109)
Accounts payable and accrued liabilities	591,691
Accrued employee benefits	272,629
	<hr/> 661,211

Capital activities:

Purchase of tangible capital assets	(29,705)
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Increase in cash and cash equivalents being cash and cash equivalents, end of period	\$ 631,506
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Supplemental cash flow information:

Assets acquired under capital lease	\$ 259,323
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See accompanying notes to financial statements.

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

Nature of operations:

BC Family Maintenance Agency (the "Agency") was incorporated on June 17, 2019 under the Business Corporations Act. The BC Family Maintenance Agency (BCFMA) is dedicated to ensuring BC children and families receive the child and spousal support they are entitled to. The Agency commenced operations on November 1, 2019 with no corresponding revenues or expenses incurred from the period of incorporation until this time.

1. Significant accounting policies:

The financial statements of the BC Family Maintenance Agency (the "Agency") are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Agency are as follows:

(a) Basis of accounting:

The Agency follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Amounts received in advance of services being provided are deferred until the service is provided. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Revenue recognition:

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

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

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

1. Significant accounting policies (continued):

(d) Financial instruments:

Initial measurement:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Company has not elected to carry any such financial instruments at fair value. Financial instruments are adjusted by transaction costs incurred on initial acquisition, which are amortized using the straight line method. Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

(e) Financial assets and liabilities:

Financial assets and liabilities include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and accrued employee benefits.

All non-cash financial assets and liabilities are recorded at amortized cost.

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(g) Government transfers:

Government transfers received relate to social services programs. Government transfers paid relate to social services programs. Transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(h) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the asset. Tangible capital assets are amortized on a straight-line basis as follows:

Asset	Rate
Computer equipment	25%

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

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

1. Significant accounting policies (continued):

(i) Employee future benefits:

The Agency and its employees make contributions to a defined contribution plan that provides benefits to its employees. These contributions are expensed as incurred. Employees are entitled to sick leave as part of their employment. It is the policy of the Company to accrue these benefits as they accumulate.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Agency's Fiscal 2019/2020 Budget forecast approved by the Board of Directors on December 2, 2019. The budget is reflected in the statement of operations and accumulated deficit.

(k) Leased tangible capital assets:

Leases which transfer substantially all of the 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.

(l) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions which 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 period. Significant estimates include assumptions used in estimating provisions for losses incurred. Actual results could differ from those estimated.

2. Accounts receivable:

Funding from the Province of British Columbia	\$	155,743
GST receivable and other		47,366
	\$	203,109

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

3. Accounts payable and accrued liabilities:

Trade accounts payables	\$	279,891
Other accrued liabilities		252,368
Salary and benefits payable		59,431
	\$	591,690

4. Obligations under capital lease:

The amounts due for obligations under capital leases are as follows:

2021	\$	67,309
2022		89,745
2023		89,745
2024		22,436
Total minimum lease payments		269,235
Less amounts representing interest at 2.45%		9,912
Present value of net minimum capital lease payments	\$	259,323

No interest expense was recorded in the current year as the lease was signed at period end.

5. Tangible capital assets:

	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 289,028	\$ -	\$ 289,028

No amortization expense was recorded in the current year as the assets were not yet available for use.

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

6. Trust fund:

The trust fund is a Provincial Government account and represents money received from or on behalf of debtors which, in turn, are payable to creditors and/or debtors as well as enforcement fees payable to the Province for services rendered for the creditors and/or debtors. This fund is administered by the Agency, but is not the property of the Agency.

Trust fund balance as of March 31	\$ 9,310,028
Trust liabilities as of March 31	(9,310,028)
	<hr/>
	\$ -

7. Commitments:

(a) Premise leases:

The Agency has entered into leases expiring in March 2022, 2027 and 2029. Minimum lease payments and estimated operating costs are as follows:

2021	\$ 1,907,572
2022	1,951,044
2023	1,624,236
2024	1,662,598
2025	1,713,581
Thereafter	5,572,709
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	\$ 14,431,740

(b) Equipment and service contracts:

The Agency is committed for photocopier and mail machine leases expiring in 2022, 2023, and 2025 with payments as follows:

2021	\$ 34,445
2022	33,628
2023	29,541
2024	29,541
2025	29,541
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	\$ 156,696

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

8. Defined contribution pension plan and PSPP:

The Agency contributes to a defined contribution plan that provides pension benefits to its employees. Participation in the plan is compulsory for all eligible employees meeting certain conditions. The Agency contributes 9.43% and the employee 5% of gross annual salary. In 2020, the Agency contributed \$19,838 to the plan.

The Agency and its employees make contributions to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The plan is a multi employer defined benefit pension plan. Basic pension benefits are based on a formula. As at March 31, 2019, the Plan has approximately 64,000 active members and 50,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation as at March 31, 2017 indicated a surplus of \$1,896 million for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2020, with results available in 2021. Contributions to the plan by the Agency totaled \$414,231 during the year.

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.

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

9. Financial risk management note:

The nature of the program's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

(a) Credit risk:

The program is not subject to significant credit risk as most financial assets are amounts due from the Province of British Columbia.

(b) Market risk:

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices.

The program is not generally subject to market risk.

(c) Liquidity risk:

Liquidity risk is the risk that the program is unable to meet its financial obligations as they fall due. The program is not subject to significant liquidity risk as financial obligations are funded through receivables from the Province of British Columbia.

10. Transfer of the Program:

On November 1, 2019 (the "transfer date"), the Agency took over the operation of the Family Maintenance Enforcement Program from the previous operator. As part of the transfer, the Agency received financial assets, financial liabilities and non-financial assets as follows:

(a) Cash and cash equivalents:

The cash transferred to the Agency was calculated based on a cash reconciliation formula. The details are included in the following table.

(b) Accounts receivable and accounts payable and accrued liabilities:

Accounts receivable and accounts payable and accrued liabilities in connection with the Program were assumed by the Agency on the transfer date.

BC FAMILY MAINTENANCE AGENCY

Notes to Financial Statements

Period from November 1, 2019 to March 31, 2020

10. Transfer of the Program (continued):

(c) Accrued employee benefits:

Accrued vacation and accrued sick time payable for transferring and displaced employees was assumed by the Agency at the transfer date.

The following is a reconciliation of the assets and liabilities transferred to the Agency on November 1, 2019 that result in the restructuring loss of \$195,680 on the statement of operations.

Cash	\$ 309,004
Accounts receivable	9,476
Prepaid expenses	273,486
Accounts payable and accrued liabilities	(318,480)
Accrued employee benefits	(469,166)
	<hr/>
	\$ (195,680)

11. Subsequent events:

In March 2020, the COVID 19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the business in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time.