Legal Services Society

Financial statements 2015/16

Legal Services Society management's responsibility for the financial statements

Management is responsible for the preparation of the society's financial statements. This responsibility includes maintaining the integrity and objectivity of the society's financial records, and presenting the society's financial statements in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Management maintains a system of internal controls that ensures all material agreements and transactions of the society are properly recorded. The society's financial statements for the year ended March 31, 2016, have been examined by PricewaterhouseCoopers LLP. Their examination was made in accordance with Canadian generally accepted auditing standards, and included obtaining a sufficient understanding of the society's internal controls to plan the audit.

The directors of the society's board are not employees of the society. The board of directors is responsible for determining that management fulfills its responsibilities in the preparation of the financial statements and the control of the society's financial operations. The board of directors meets with staff of PricewaterhouseCoopers LLP to discuss their audit work, the society's internal controls, and the financial statements. The board of directors is responsible for approving the financial statements.

Mark Benton, QC
Chief Executive Officer

Doug Wong
Doug Wong, CPA, CA
Director, Finance and Corporate Services

pwc

May 12, 2016

Independent Auditor's Report

To the Board of Directors of the Legal Services Society and to the Minister of Justice and Attorney General, Province of British Columbia

We have audited the accompanying financial statements of the Legal Services Society, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated surplus, changes in net financial assets / liabilities and cash flows for the year ended March 31, 2016 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements outlined in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, 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.

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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets / liabilities and cash flows for the year ended March 31, 2016, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements outlined in Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 2 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 18 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Legal Services Society

Statement of financial position

as at March 31, 2016

		2016		2015
Financial assets				
Financial assets				
Cash *(note 17)*	$	**2,949,887**	$	1,434,501
Investments *(notes 4 and 17)*		**11,577,437**		13,927,617
Accounts receivable *(note 17)*				
Government of British Columbia		**1,306,166**		139,984
Government of Canada		**1,344,294**		848,806
Other		**581,058**		583,722
Total financial assets		**17,758,842**		16,934,630
Liabilities				
Accounts payable and accrued liabilities				
General *(note 5a)*		**2,617,306**		2,321,459
Tariff *(note 5b)*		**14,503,583**		13,567,301
Employee future benefits *(note 6b)*		**255,000**		259,000
Deferred contributions *(note 7)*		**—**		443,690
Long-term liabilities *(note 8)*		**491,800**		468,400
Total liabilities		**17,867,689**		17,059,850
Net financial assets / (liabilities)		**(108,847)**		(125,220)
Non-financial assets				
Tangible capital assets *(Schedule 1)*		**4,936,026**		5,218,796
Prepaid expenses		**512,516**		246,119
Total non-financial assets		**5,448,542**		5,464,915
Accumulated surplus *(note 9)*	$	**5,339,695**	$	5,339,695
Contractual obligations *(note 13)*				
Contingent liabilities *(note 16)*				

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

Suzette Narbonne
Chair of the Board of Directors

Karen Christiansen, FCPA, FCA
Chair of the Finance Committee

Legal Services Society

Statement of operations and accumulated surplus

for the year ended March 31, 2016

		Budget *(note 12)*		2016		2015
Revenue						
Government of British Columbia *(note 14)*	$	72,596,000	$	**72,594,180**	$	72,243,711
Law Foundation		2,955,000		**3,032,874**		3,299,195
Justice Innovation and Transformation Initiatives *(notes 10, 11, and 14)*		2,000,000		**2,000,000**		2,000,000
Department of Justice — Canada *(note 20)*		—		**891,170**		904,445
Notary Foundation		500,000		**756,289**		768,776
Investment income		468,000		**348,137**		404,543
Miscellaneous *(note 20)*		115,000		**163,813**		93,758
Total revenue		78,634,000		**79,786,463**		79,714,428
Expenses *(note 11)*						
Criminal tariff		40,313,000		**41,613,922**		42,394,430
Family tariff		14,823,000		**14,609,496**		14,222,248
Child protection tariff		8,148,000		**7,176,142**		7,776,063
Immigration tariff		2,092,000		**2,147,780**		2,178,190
Justice Innovation and Transformation Initiatives		2,000,000		**2,000,000**		2,017,682
Publishing		1,514,000		**1,881,422**		1,725,753
Community engagement		1,009,000		**982,048**		1,038,401
Aboriginal services		512,000		**656,615**		578,673
Administration		8,223,000		**8,719,038**		7,901,097
Total expenses		78,634,000		**79,786,463**		79,832,537
Annual deficit		—		—		(118,109)
Accumulated surplus at beginning of year		5,339,695		**5,339,695**		5,457,804
Accumulated surplus at end of year *(note 9)*	$	5,339,695	$	**5,339,695**	$	5,339,695

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

Legal Services Society

Statement of changes in net financial assets / liabilities

for the year ended March 31, 2016

		Budget *(note 12)*		2016		2015
Annual deficit	$	—	$	—	$	(118,109)
Acquisition of tangible capital assets		(1,380,000)		**(491,220)**		(2,130,077)
Amortization		936,217		**773,990**		383,400
		(443,783)		**282,770**		(1,746,677)
Acquisition of prepaid expenses		—		**(512,516)**		(246,119)
Use of prepaid expenses		—		**246,119**		393,424
		—		**(266,397)**		147,305
Increase (Decrease) in net financial assets		(443,783)		**16,373**		(1,717,481)
Net financial assets at beginning of year		(125,220)		**(125,220)**		1,592,261
Net financial assets / (liabilities) at end of year	$	(569,003)	$	**(108,847)**	$	(125,220)

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

Legal Services Society

Statement of cash flows

for the year ended March 31, 2016

		2016		2015
Operating transactions				
Cash received				
Transfers from Government of British Columbia	$	**72,984,308**	$	74,849,664
Grants received		**3,770,130**		3,895,997
Interest		**348,137**		404,543
GST recovered		**282,663**		—
Other		**298,529**		1,106,584
		77,683,767		80,256,788
Cash paid				
Legal aid tariff		**54,208,039**		55,785,372
Salaries and benefits		**12,050,536**		11,651,248
Rent		**1,915,109**		1,696,795
Services		**2,485,913**		2,368,919
GST paid		**—**		233,522
All other		**7,367,744**		7,038,093
		78,027,341		78,773,949
Cash (used in) provided by operations		**(343,574)**		1,482,839
Capital transactions				
Cash used to acquire tangible capital assets		**(491,220)**		(2,130,077)
Investing transactions				
Investments purchased		**—**		(5,000,000)
Investments redeemed		**2,350,180**		4,046,683
Cash provided by (used in) investing transactions		**2,350,180**		(953,317)
Increase/(decrease) in cash and cash equivalents		**1,515,386**		(1,600,555)
Cash and cash equivalents at beginning of year		**1,434,501**		3,035,056
Cash and cash equivalents at end of year	$	**2,949,887**	$	1,434,501

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

Legal Services Society

Notes to the Financial Statements

for the year ended March 31, 2016

1. Overview

The Legal Services Society (the society) was established under the Legal Services Society Act on October 1, 1979 (as revised on May 31, 2007). The society is governed by a board of directors, of which five are appointed by the Province of British Columbia (the province) and four are appointed by the Law Society. The purpose of the society is to:

- assist individuals to resolve their legal problems and facilitate access to justice,
- establish and administer an effective and efficient system for providing legal aid to individuals in British Columbia, and
- provide advice to the Attorney General and Minister of Justice respecting legal aid and access to justice for individuals in British Columbia.

The society is not subject to income taxes.

2. Basis of presentation

These financial statements are prepared by management in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. This section requires that financial statements be prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), except in regards to government transfers as described in notes 3(a) and 18.

3. Significant accounting policies

(a) Revenue recognition

Revenues are recognized in the period in which the transactions or events that give rise to the revenues occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Restricted contributions received or receivable are deferred and amortized into revenue as the related expenses are incurred. This accounting policy complies with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. However, this accounting treatment is different from the requirements of the Canadian PSAS, which require that government contributions be recognized as revenue when approved by the transferor and eligibility criteria have been met, unless the transfer contains a stipulation that creates a liability. In this case, the transfer is recognized as revenue over the period that the liability is extinguished. See note 18 for the impact of this policy on the financial statements.

(b) Expenses

Expenses are reported on an accrual basis. The cost of services incurred during the year is expensed.

(c) Tariff expenses

Tariff expenses include amounts billed by lawyers to the society and an estimate of services performed by lawyers but not yet billed to the society.

(d) Employee future benefits

i. The society's employees belong to the Municipal Pension Plan, which is a multi-employer contributory pension plan. The society records its 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 costs to individual employers participating in the plan.

ii. The cost of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates, and discount rates.

(e) 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:

Assets	Per year
Furniture	10 – 20%
Equipment	20%
Computer equipment	25 – 33%
Computer software	20 – 33%
Client Information System	10%
Leasehold improvements	Lower of lease term and useful life

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

(f) Asset retirement obligation

The society recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The society concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted, risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in the statement of operations as an operating expense using the effective interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is amortized over the remaining life of the asset.

(g) Prepaid expenses

Prepaid expenses include memberships, computer software licenses, and deposits. These items are charged to expense over the periods expected to benefit from them.

(h) Financial instruments

The society's financial instruments consist of investments, accounts receivable, and accounts payable and accrued liabilities. Accounts receivable, and accounts payable and accrued liabilities are initially recorded at fair market value and subsequently measured at cost. Investments, which comprise guaranteed investment certificates, provincial bonds, corporate bonds, and structured bank notes, are initially recorded at fair market value and subsequently measured at amortized cost. The effective interest method is used to determine income.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A writedown of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

The fair values of the society's cash, accounts receivable, and accounts payable and accrued liabilities generally approximate their carrying amounts due to their short term to maturity. The fair values of the society's investments are disclosed in note 4. The fair value of the society's tariff accounts payable and accrued liabilities is not readily determinable.

(i) Measurement uncertainty

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 date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas where estimates are significant to the financial statements include the tariff liabilities and expenses (note 19). Other areas where estimates are made include the valuation of accounts receivable, amortization of tangible capital assets, asset retirement obligation, non-vested sick leave benefits and contingent liabilities.

Estimates are based on the best information available at the time of the preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from those estimates.

4. Investments

The carrying value of the society's investments is $11,577,437 (2015 — $13,927,617). Included in investments is $166,437 for accrued interest (2015 — $147,617). Investments have maturities ranging from April 2016 to July 2017 and rates of return ranging from 1.51% to 2.45%.

The investments have a market value at March 31, 2016, of $11,589,013 (2015 — $13,946,842). Investments are recorded at amortized cost less any writedowns associated with a loss in value that is other than a temporary decline.

5. Accounts payable and accrued liabilities

(a) General

		2016		2015
Trade payables	$	**1,372,273**	$	1,604,815
Payroll payables		**1,245,033**		716,644
Total	$	**2,617,306**	$	2,321,459

(b) Tariff

		2016		2015
Submittals approved, not paid	$	**2,249,250**	$	1,510,665
Submittals not approved		**1,298,333**		963,636
Accrual *(note 19)*		**10,956,000**		11,093,000
Total	$	**14,503,583**	$	13,567,301

The society uses an actuarial model to estimate legal services performed but not yet billed to the society. Management estimated the liability to be approximately $10,956,000 (2015 — $11,093,000). This estimate, included in the above table, incorporates average case costs and service billings for similar cases, based on historical experience over a two-year period. Actual costs could differ from this estimate (notes 3(i) and 19).

6. Employee future benefits

(a) Pension plan

The society and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed 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 pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2014, the plan has about 185,000 active members and approximately 80,000 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the plan as at December 31, 2012, indicated a $1.370 billion funding deficit for basic pension benefits on a going concern basis.

The society paid $827,637 for employer contributions to the plan in fiscal year 2015/16, which represents 0.05 per cent of the total plan contributions. The society expects to pay $830,000 for employer contributions in the next fiscal year.

The results of the December 31, 2015, valuation will be available during the 2016/17 fiscal year.

(b) Non-vested sick leave

Employees are credited days per year, ranging from six to 10 days, for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum provided in their respective employment agreement. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit cost and liabilities related to the plan are included in the financial statements.

Non-vested sick leave		2016		2015
Balance, beginning of year	**$**	**259,000**	$	252,000
Expense		**16,000**		37,000
Expected benefits paid		**(20,000)**		(30,000)
Balance, end of year	**$**	**255,000**	$	259,000

7. Deferred contributions

	Balance, beginning of year	Restricted contributions	Criminal Category A tariff surplus	Amortized to operations	**Balance, end of year**
Government of British Columbia — Category B	$ 443,690	$ 2,173,641	$ 444,936	$ 3,062,267	**$ 0**

The society's Memorandum of Understanding (MOU) with the Minister of Justice and Attorney General of British Columbia provides for restricted funding for exceptional matters commencing with the 2003 fiscal year. Effective April 1, 2014, the MOU was revised to provide clarification on criminal case classification and funding of these cases.

There are now three categories:

- **Category A:** the first $75,000 of non-court-ordered cases paid at the standard rates. These cases are funded from the base criminal tariff budget.
- **Category B:** all costs greater than $75,000 and up to $175,000 of non-court-ordered cases paid at standard rates, and all costs of court-ordered cases up to $175,000 paid at standard rates. These cases are funded by a restricted contribution, and any surplus in these cases is transferred to deferred contributions. In the case of an annual shortfall in Criminal Category B cases, the society must first apply any eligible base criminal tariff surplus to the shortfall. Any remaining shortfall is then applied to deferred contributions.
- **Category C:** all costs greater than $175,000, or all costs where the hourly rate paid is greater than the standard rate. These cases are funded through a special funding agreement with the Ministry of Justice.

8. Long-term liabilities

Asset retirement obligation

Included within long-term liabilities is the society's accrual for its asset retirement obligation for the estimated costs of restoring certain leased facilities to their original condition at the end of the lease terms.

The following is a reconciliation of the changes in the asset retirement obligation during the year:

	2016	2015
Balance, beginning of year	**$ 468,400**	$ 565,200
Decrease in estimate	—	(119,100)
Accretion expense	**23,400**	22,300
Balance, end of year	**$ 491,800**	$ 468,400

The accretion expense is included in the premises expense. The undiscounted estimated cash flows required to settle the obligations ongoing to December 31, 2019, are $591,000 (2015 — $591,000). The cash flows are discounted using a credit-adjusted, risk-free rate of 5% (2015 — 5%).

9. Accumulated surplus

		2016		2015
Total accumulated surplus at end of year	**$**	**5,339,695**	$	5,339,695
Internally restricted for Client Information System	**$**	**3,874,180**	$	4,300,000
Internally restricted for strategic initiatives	**$**	**1,465,515**	$	1,039,695

The board of directors has authorized the following restrictions on the accumulated surplus:

- In fiscal 2013, the board of directors restricted the entire accumulated surplus to be used for board-directed strategic initiatives and allocated $4.3 million of those funds for the Client Information System (CIS) to replace the legacy Case Management System.
- CIS was installed and went live in April 2015 at a total cost of $4.258 million. The accumulated surplus will be drawn down as the cost of the CIS project is amortized over the anticipated useful life of the asset.
- These funds are not available for other purposes without approval by the board of directors.

10. Justice Innovation and Transformation Initiatives

Included in the 2014/15 fiscal year budget, the Ministry of Justice provided an additional $2.0 million annually for three years for Justice Innovation and Transformation Initiatives (JITI) pilot projects. These initiatives included: Expanded Criminal Duty Counsel, Expanded Family Duty Counsel, Expanded Family LawLINE, Family Mediation Referrals, and the Parents Legal Centre. These pilot projects were launched in 2014/15 and will run for three years. At the end of this period, all of the innovative pilot projects will be evaluated and assessed for their effectiveness. There is no guarantee of funds beyond the 2016/17 fiscal year.

11. Expenses by object

The following is a summary of expenses by object:

	2016 Budget	2016 Actual	2015 Actual
Tariff	$ 43,237,000	$ **44,227,435**	$ **45,738,974**
Salaries and benefits	12,096,778	**12,578,922**	**11,710,417**
Duty counsel	9,925,945	**10,191,944**	**9,817,835**
Grants and contracted services	5,373,767	**4,771,388**	**4,726,457**
Premises	1,647,965	**1,915,109**	**1,696,795**
Local agents	1,731,825	**1,722,457**	**1,664,180**
Computers	1,070,663	**1,558,408**	**1,589,194**
Office	788,915	**779,287**	**882,154**
Amortization	936,217	**773,990**	**383,400**
Transcripts	990,000	**724,942**	**966,139**
Miscellaneous	516,513	**265,612**	**396,227**
Board expenses	204,508	**152,984**	**137,779**
Travel	113,904	**123,985**	**122,986**
Total	$ 78,634,000	$ **79,786,463**	$ **79,832,537**

Included in the above 2016 actual expenditures is $2,000,000 (2015 — $2,017,682) for the JITI projects referred to in note 10.

12. Budgeted figures

The operating budgeted figures, presented on a basis consistent with that used for actual results, were approved by the board of directors on January 15, 2015, and submitted to the Ministry of Justice on February 13, 2015. The Attorney General and Minister of Justice approved the budget on March 13, 2015.

13. Contractual obligations

The society has the following contractual obligations for long-term leases of its office premises:

Year		2016
2017	$	**890,053**
2018		**920,429**
2019		**961,208**
2020		**734,013**
2021		**0**
Total	**$**	**3,505,703**

At year-end, the liability for future costs of legal services to be performed beyond the fiscal year, for which the society is currently committed, is estimated by management to be approximately $23.1 million. This estimate uses the same methodology as described in note 5 for tariff payables.

14. Related parties

The society is related to the Province of British Columbia and its ministries, agencies, and Crown corporations. In this relationship, the province provided funding in the amount of $74,594,180 (2015 — $74,243,711) and the society is responsible for providing legal aid to individuals throughout British Columbia. At year-end, the province owed the society $1,306,166 (2015 — $139,984).

Certain members of the board of directors provide tariff services to the society. These services are provided in the regular course of business under the same terms and conditions as other lawyers. The total amount paid for their services during the year was $21,848 (2015 — $53,239). All payments to board members are reviewed by the finance committee on a quarterly basis.

15. Economic dependence

In 2016, the society received 93% (2015 — 93%) of its operating revenue from the Province of British Columbia.

16. Contingent liabilities

The nature of the society's activities is such that there is usually pending or prospective litigation at any time against the society. With respect to claims at March 31, 2016, management believes the society has valid defences and appropriate insurance coverage in place. Accordingly, no provision has been made in these financial statements for any liability that may result. In the event that any of these claims are successful, management believes they will not have a material effect on the society's financial position.

17. Risk management

Credit risk

Credit risk is the risk of loss resulting from failure of an individual or group to honour their financial obligations. The society's accounts receivable are due primarily from government organizations and reputable organizations. The society's cash and investments are held at Canadian chartered banks, and Canadian financial institutions, respectively. The society is not exposed to significant credit risk.

At year-end, there were no significant accounts receivable that were past due and not impaired.

Liquidity risk

Liquidity risk is the risk that the society will not be able to meet its financial obligations as they fall due. The society's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow to fund operations and settle liabilities when due. Additionally, the society has a line of credit up to $1.0 million with a Canadian chartered bank. The interest rate per annum is the bank's prime rate. At March 31, 2016 the society has $nil drawn against this line (2015 - $nil).

The maturity of the society's financial assets and liabilities as at year-end was as follows:

2016

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	$ 2,949,887	—	—	$ 2,949,887
Investments	—	7,509,106	4,068,331	11,577,437
Accounts receivable	—	3,231,518	—	3,231,518
Total financial assets	**$ 2,949,887**	**$ 10,740,624**	**$ 4,068,331**	**$ 17,758,842**
Financial liabilities				
Accounts payable and accrued liabilities	—	6,164,889	—	6,164,889
Tariff accrual	—	10,956,000	—	10,956,000
Other liabilities	—	746,800	—	746,800
Total financial liabilities	**—**	**$ 17,867,689**	**—**	**$ 17,867,689**

2015

	On demand	Up to 1 year	1 to 3 years	Total
Financial assets				
Cash	$ 1,434,501	—	—	$ 1,434,501
Investments	—	8,010,617	5,917,000	13,927,617
Accounts receivable	—	1,572,512	—	1,572,512
Total financial assets	**$ 1,434,501**	**$ 9,583,129**	**$ 5,917,000**	**$ 16,934,630**
Financial liabilities				
Accounts payable and accrued liabilities	—	4,795,760	—	4,795,760
Tariff accrual	—	11,093,000	—	11,093,000
Other liabilities	—	1,171,090	—	1,171,090
Total financial liabilities	**—**	**$ 17,059,850**	**—**	**$ 17,059,850**

Market risk

Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The society is not exposed to significant currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the society's investments will change in fair value due to future fluctuations in market interest rates. The fair value of the investments, and the income they generate, varies as market interest rates vary. All other financial instruments are non-interest bearing. The society mitigates this risk by monitoring interest rates.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The society is not exposed to significant other price risk.

18. Impact of accounting for government contributions in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act

As disclosed in note 3(a), section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and its related regulations require the society to recognize restricted contributions into revenue as the related expenses are incurred. As these contributions do not contain stipulations that create a liability for the society, Canadian PSAS would require these contributions be recognized as revenue in the period when authorized and all eligibility criteria are met.

The impact of this accounting policy difference on these financial statements is as follows:

Date	Impact	Amount
March 31, 2014	increase in accumulated surplus and decrease in deferred contributions	$ 630,553
Year ended March 31, 2015	increase in annual deficit	$ (186,863)
March 31, 2015	increase in accumulated surplus and decrease in deferred contributions	$ 443,690
Year ended March 31, 2016	increase in annual deficit	$ (443,690)
March 31, 2016	increase in accumulated surplus and decrease in deferred contributions	$ 0

19. Measurement uncertainty

Program area		Amount reported	Measurement uncertainty	Range
Tariff accrual (*note 5b*)	Min	$ 10,956,000	$ (1,095,600)	$ 9,860,400
	Max	$ 10,956,000	$ 1,095,600	$ 12,051,600
Tariff and transcript expenses (*note 11*)	Min	$ 44,952,377	$ (1,095,600)	$ 43,856,777
	Max	$ 44,952,377	$ 1,095,600	$ 46,047,977

Variability in the tariff accrual arises from the rate at which cases proceed and changes in the average cost per case. In management's opinion, the tariff accrual and corresponding tariff expenses could change within a range of +/- 10%.

During the year ended March 31, 2016, the society engaged an independent actuarial firm to review the tariff accrual model. The review concluded that, in the aggregate, the tariff model remains appropriate for determining the amount to be accrued. The next review will be in January 2019 with the results reported in the March 31, 2019 financial statements.

20. Corresponding figures

Certain corresponding figures have been reclassified to conform to the current year's presentation.

Schedule 1

Tangible capital assets

Cost

	Balance, beginning of year	2016 Additions	2016 Deletions	Balance, end of year
Furniture	$ 1,107,829	$ —	—	**$ 1,107,829**
Equipment	525,765	—	—	**525,765**
Computer equipment	984,388	23,452	—	**1,007,840**
Computer software	2,150,152	205,179	—	**2,355,331**
Client Information System	3,995,615	262,589	—	**4,258,204**
Case Management System	1,126,527	—	$ (1,126,527)	**0**
Leasehold improvements	2,613,401	—	—	**2,613,401**
Total	$ 12,503,677	$ 491,220	$ (1,126,527)	**$ 11,868,370**

Accumulated amortization

	Balance, beginning of year	2016 Additions	2016 Deletions	Balance, end of year
Furniture	$ (882,640)	$ (53,638)	—	**$ (936,278)**
Equipment	(513,201)	(6,686)	—	**(519,887)**
Computer equipment	(907,267)	(59,073)	—	**(966,340)**
Computer software	(2,044,670)	(38,264)	—	**(2,082,934)**
Client Information System	—	(425,820)	—	**(425,820)**
Case Management System	(1,126,527)	—	$ 1,126,527	**0**
Leasehold improvements	(1,810,576)	(190,509)	—	**(2,001,085)**
Total	$ (7,284,881)	$ (773,990)	$ 1,126,527	**$ (6,932,344)**

Net book value

	2016	2015
Furniture	**$ 171,551**	$ 225,189
Equipment	**5,878**	12,564
Computer equipment	**41,500**	77,121
Computer software	**272,397**	105,482
Client Information System	**3,832,384**	3,995,615
Case Management System	—	—
Leasehold improvements	**612,316**	802,825
Total	**$ 4,936,026**	$ 5,218,796