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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors and Shareholder of Partnerships British Columbia Inc.

We have audited the accompanying financial statements of Partnerships British Columbia Inc., which comprise the Statement of Financial Position as at March 31, 2016 and the Statements of Operations, Remeasurement Gains and Losses, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 Partnerships British Columbia Inc. as at March 31, 2016 and its results of operations, changes in remeasurement gains and losses, net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Vancouver, British Columbia  
May 26, 2016

**Partnerships British Columbia Inc.**  
**Statement of Financial Position**  
**As at March 31, 2016 and 2015**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Financial assets</b>		
Cash	\$ 10,757,214	\$ 10,365,552
Accounts receivable (Note 3)	1,490,723	1,494,748
Portfolio investments (Note 4)	4,274,020	4,244,610
Total Financial Assets	<u>16,521,957</u>	<u>16,104,910</u>
<b>Liabilities</b>		
Accounts payable & accrued liabilities (Note 5)	684,106	809,547
Total Liabilities	<u>684,106</u>	<u>809,547</u>
<b>Net financial assets</b>	<u>15,837,851</u>	<u>15,295,363</u>
<b>Non-financial assets</b>		
Prepaid expenses	74,762	72,039
Tangible capital assets (Note 7)	144,773	150,671
Total Non-financial Assets	<u>219,535</u>	<u>222,710</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$ 16,057,386</u>	<u>\$ 15,518,073</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	\$ 16,050,414	\$ 15,509,606
Accumulated remeasurement gains	6,970	8,465
Share capital	2	2
	<u>\$ 16,057,386</u>	<u>\$ 15,518,073</u>

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

**APPROVED ON BEHALF OF THE BOARD**



D. Hayden, Chair



P. Kappel, Director

**Partnerships British Columbia Inc.**  
**Statement of Operations**  
**For the Years Ended March 31, 2016 and 2015**

	<b>Budget</b>	<b>March 31,</b>	<b>March 31,</b>
	(Note 13)	<b>2016</b>	<b>2015</b>
<b>Revenue</b>			
Work fees	\$ 7,177,440	\$ 6,494,918	\$ 6,894,373
Interest income	140,000	144,641	157,653
<b>Total Revenues</b>	<b>7,317,440</b>	<b>6,639,559</b>	<b>7,052,026</b>
<b>Expenses</b>			
Administration	252,399	230,935	241,839
Amortization	71,859	64,742	61,533
Building occupancy	562,284	563,855	621,225
Corporate relations	70,000	56,353	2,744
Information systems	316,000	271,869	330,104
Professional services	248,000	261,887	196,783
Salaries and benefits	5,018,192	4,537,195	4,938,389
Travel	117,400	111,915	119,430
<b>Total Expenses</b>	<b>6,656,134</b>	<b>6,098,751</b>	<b>6,512,047</b>
<b>Reimbursable costs</b>			
Project recoveries	2,250,000	1,231,264	1,627,097
Less: Project expenses	(2,250,000)	(1,231,264)	(1,627,097)
<b>Net reimbursable costs</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annual operating surplus</b>	<b>661,306</b>	<b>540,808</b>	<b>539,979</b>
<b>Accumulated operating surplus, beginning of year</b>	<b>15,509,606</b>	<b>15,509,606</b>	<b>14,969,627</b>
<b>Accumulated operating surplus, end of year</b>	<b>\$ 16,170,912</b>	<b>\$ 16,050,414</b>	<b>\$ 15,509,606</b>

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

**Partnerships British Columbia Inc.**  
**Statement of Remeasurement Gains and Losses**  
**For the Years Ended March 31, 2016 and 2015**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Accumulated remeasurement gains, beginning of year</b>	\$ 8,465	\$ 8,202
Plus: Unrealized gains attributable to: Portfolio investments	29,547	48,822
Less: Amounts reclassified to the Statement of Operations: Portfolio investments	(31,042)	(48,559)
Net remeasurement gains (losses) for the year	(1,495)	263
<b>Accumulated remeasurement gains, end of year</b>	<b>\$ 6,970</b>	<b>\$ 8,465</b>

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

**Partnerships British Columbia Inc.**  
**Statement of Changes in Net Financial Assets**  
**For the Years Ended March 31, 2016 and 2015**

	<b>Budget</b>	<b>March 31,</b>	<b>March 31,</b>
	(Note 13)	<b>2016</b>	<b>2015</b>
Annual operating surplus	\$ 661,306	\$ 540,808	\$ 539,979
Acquisition of tangible capital assets	(39,000)	(58,844)	(71,806)
Amortization of tangible capital assets	71,859	64,742	61,533
	<u>32,859</u>	<u>5,898</u>	<u>(10,273)</u>
Additions to prepaid expenses	-	(191,046)	(254,539)
Use of prepaid expenses	(2,961)	188,323	235,867
	<u>(2,961)</u>	<u>(2,723)</u>	<u>(18,672)</u>
Effect of remeasurement gains (losses) for the year	-	(1,495)	263
<b>Increase in net financial assets for the year</b>	691,204	542,488	511,297
<b>Net financial assets, beginning of year</b>	<u>15,295,363</u>	<u>15,295,363</u>	<u>14,784,066</u>
<b>Net financial assets, end of year</b>	<u>\$ 15,986,567</u>	<u>\$ 15,837,851</u>	<u>\$ 15,295,363</u>

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

**Partnerships British Columbia Inc.**  
**Statement of Cash Flows**  
**For the Years Ended March 31, 2016 and 2015**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Operating transactions</b>		
Annual operating surplus	\$ 540,808	\$ 539,979
Non-cash item included in surplus:		
Amortization of tangible capital assets	64,742	61,533
	<u>605,550</u>	<u>601,512</u>
<b>Changes in operating accounts</b>		
Accounts receivable	4,025	535,866
Prepaid expenses	(2,723)	(18,672)
Accounts payable and accrued liabilities	(125,441)	(790,460)
	<u>(124,139)</u>	<u>(273,266)</u>
<b>Total operating transactions</b>	<u>481,411</u>	<u>328,246</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets, net	(58,844)	(71,806)
	<u>(58,844)</u>	<u>(71,806)</u>
<b>Investing transactions</b>		
Increase in portfolio investments	(30,905)	(48,440)
	<u>(30,905)</u>	<u>(48,440)</u>
<b>Net increase in cash for the year</b>	391,662	208,000
<b>Cash, beginning of year</b>	<u>10,365,552</u>	<u>10,157,552</u>
<b>Cash, end of year</b>	<u><u>\$ 10,757,214</u></u>	<u><u>\$ 10,365,552</u></u>

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

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

## **1. Nature of Operations**

Partnerships British Columbia Inc. (Partnerships BC or the Organization) is a company owned by the Province of British Columbia and is governed by a Board of Directors reporting to its sole Shareholder; the Minister of Finance. The Organization was incorporated under the British Columbia Business Corporations Act in May 2002. It has two issued shares, both are held by the Minister of Finance.

The Organization's vision is to be a recognized leader in evaluating, structuring, and implementing delivery solutions for complex public infrastructure while delivering consistent value to its clients. Partnerships BC provides a variety of planning services to public sector agencies wishing to explore innovative options for building and managing public infrastructure like highways, bridges, hospitals, public transit and accommodations facilities.

The Organization's core business is to:

- Provide specialized services in the procurement of major public projects, ranging from advice to business transactions, procurement management, and implementation.
- Provide advice on partnership project management, deal structure, risk management, procurement, and the selection and engagement of consultants.
- Foster a positive business and policy environment for successful projects and related activities by continually expanding British Columbia's and other jurisdictions' base of knowledge, understanding and expertise in these areas.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The Organization's clients are public sector agencies, including ministries, Crown corporations and local authorities such as regional health authorities. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors and the financial services sector.

Partnerships BC is exempt from income taxes under the *Income Tax Act*.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**2. Summary of Significant Accounting Policies**

**a. Basis of accounting**

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**b. Portfolio investments**

Partnerships BC invests in government and corporate debt securities through pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), a corporation established under the Public Sector Pension Plans Act.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized as remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

Interest attributable to financial instruments is reported in the Statement of Operations.

**c. Employee future benefits**

The employees of Partnerships BC belong to the Public Service Pension Plan (the Plan), which is a multi-employer joint trustee plan. This Plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint board of trustees of the Plan determines the required Plan contributions annually.

The contribution of Partnerships BC to the Plan is recorded as an expense for the year.



**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**2. Summary of Significant Accounting Policies (continued)**

**h. Measurement uncertainty**

The preparation of financial statements in conformity with PSA standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated employee benefits, rates for amortization and the impairment of tangible capital assets.

Estimates are based on the best information available at the time of 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 these estimates.

**3. Accounts Receivable**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Revenues receivable	\$ 1,481,559	\$ 1,484,579
Accrued interest	9,164	10,169
	<b><u>\$ 1,490,723</u></b>	<b><u>\$ 1,494,748</u></b>

There was no provision for doubtful accounts required as at March 31, 2016 and 2015.

Included in accounts receivable are the following amounts receivable from government and other government organizations.

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Provincial governments	\$ 1,142,442	\$ 1,444,779
Other government organizations	69,170	33,868
	<b><u>\$ 1,211,612</u></b>	<b><u>\$ 1,478,647</u></b>

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**4. Portfolio Investments**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Fair market value	\$ 4,274,020	\$ 4,244,610
Less: Original cost	(4,267,050)	(4,236,145)
Unrealized gain	<b>\$ 6,970</b>	<b>\$ 8,465</b>

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by bcIMC. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2015, the fund had an annualized return of 0.9 percent compared to an annualized return of 1.1 percent for the prior year.

**5. Accounts Payable and Accrued Liabilities**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Accounts payables and accrued liabilities	\$ 366,360	\$ 378,866
Salaries and benefits payable	150,306	283,410
Accrued vacation pay	167,440	147,271
	<b>\$ 684,106</b>	<b>\$ 809,547</b>

**6. Employee Future Benefits**

Partnerships BC and its employees contribute to the Public Service Pension Plan (the Plan) in accordance with the Public Sector Pension Plan Act. BC Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan.

Partnerships BC and its employees contribute to the Plan in accordance with the Public Sector Pension Plan Act. The Plan provides defined pension benefits to employees based on their length of service and salary. The maximum contribution rate for eligible employees was 9.43% (2015: 9.43%). Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2016, Partnerships BC contributed \$343,488 (2015: \$380,863) to the Plan. These contributions are the Organization's pension expense which is included under salaries and benefits expense. No pension liability for this type of plan is included in the financial statements.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**6. Employee Future Benefits (continued)**

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2014 showed that the Plan had a surplus of \$194 million and is 101 percent funded as it had assets of \$20.472 billion and liabilities of \$20.278 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2017 with results available mid-2017.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**7. Tangible Capital Assets**

	<b>Computer software</b>	<b>Computer hardware</b>	<b>Furniture and equipment</b>	<b>Leasehold improvements</b>	<b>2016 Total</b>
<b>Cost</b>					
Opening Balance	\$ 87,177	\$ 372,107	\$ 138,495	\$ 383,458	981,237
Additions	-	32,432	1,462	24,950	58,844
Disposals	-	-	-	-	-
Closing Balance	87,177	404,539	139,957	408,408	1,040,081
<b>Accumulated Amortization</b>					
Opening Balance	87,177	305,534	108,617	329,238	830,566
Amortization	-	40,307	13,019	11,416	64,742
Disposals	-	-	-	-	-
Closing Balance	87,177	345,841	121,636	340,654	895,308
<b>Net book value</b>	<b>\$ -</b>	<b>\$ 58,698</b>	<b>\$ 18,321</b>	<b>\$ 67,754</b>	<b>\$ 144,773</b>

	<b>Computer software</b>	<b>Computer hardware</b>	<b>Furniture and equipment</b>	<b>Leasehold improvements</b>	<b>2015 Total</b>
<b>Cost</b>					
Opening Balance	\$ 119,432	\$ 407,270	\$ 162,699	\$ 392,174	\$ 1,081,575
Additions	-	19,130	1,738	57,079	77,947
Disposals	(32,255)	(54,293)	(25,942)	(65,795)	(178,285)
Closing Balance	87,177	372,107	138,495	383,458	981,237
<b>Accumulated Amortization</b>					
Opening Balance	119,432	317,926	116,337	387,482	941,177
Amortization	-	41,901	15,045	4,587	61,533
Disposals	(32,255)	(54,293)	(22,765)	(62,831)	(172,144)
Closing Balance	87,177	305,534	108,617	329,238	830,566
<b>Net book value</b>	<b>\$ -</b>	<b>\$ 66,573</b>	<b>\$ 29,878</b>	<b>\$ 54,220</b>	<b>\$ 150,671</b>

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**8. Accumulated Surplus**

The accumulated surplus is made up as follows:

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Accumulated operating surplus	\$ 16,050,414	\$ 15,509,606
Accumulated rereasurement gains	6,970	8,465
	<u>16,057,384</u>	<u>15,518,071</u>
Share capital	2	2
	<u><b>\$ 16,057,386</b></u>	<u><b>\$ 15,518,073</b></u>

The authorized share capital is 5,000,000 common shares at no par value.

**9. Expenses by Object**

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

**10. Related Party Transactions**

Partnerships BC is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of the Organization's clients are also provincial government ministries, agencies and Crown corporations.

Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts. Transfers of assets are recorded at fair value.

In the normal course of operations, Partnerships BC entered into transactions with the province and certain Crown corporations, at prevailing market prices and credit terms.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**10. Related Party Transactions (continued)**

The Statement of Operations includes the following transactions with related parties:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Work fees	\$ 4,075,900	\$ 3,881,347
Interest income	139,778	151,022
	<u>\$ 4,215,678</u>	<u>\$ 4,032,369</u>
Operating expenses:		
Professional services	\$ 16,682	\$ 6,825
Administration	42,554	42,440
	<u>\$ 59,236</u>	<u>\$ 49,265</u>
Project recoveries	<u>\$ 695,356</u>	<u>\$ 1,080,914</u>

Financial assets and liabilities with related parties as at March 31, 2016 and 2015 were:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Accounts receivable	\$ 991,621	\$ 576,110
Accounts payable and accrued liabilities	68,172	43,219

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**11. Commitments**

The Organization is committed to payments under operating leases for premises through 2017/18 as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 540,214
2018	311,382
	<u>\$ 851,596</u>

The Organization's Vancouver and Victoria office leases are scheduled to expire on November 29, 2017 and August 31, 2017 respectively.

**12. Risk Management**

**a. Fair value of financial instruments**

The fair value of a financial instrument is the estimated amount that the Organization would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of the portfolio investments are determined by reference to published bid price quotations in an active market at year-end.

**b. Financial management risk objectives and policies**

In the normal course of business, the Organization is exposed to financial risks that have the potential to negatively impact its financial performance. These risks may include credit risk, liquidity risk and interest rate risk.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**12. Risk Management (continued)**

**c. General objectives, policies and processes**

The Audit and Risk Management Committee has overall responsibility for the determination of the Organization's risk management objectives and policies.

The Audit and Risk Management Committee has delegated the authority to ensure effective implementation of the objectives and policies of the Organization to the Chief Executive Officer (CEO) and Senior Management Team. The Audit and Risk Management Committee and Board of Directors receives quarterly reporting from the CEO and Senior Management to ensure all processes and policies put in place are effectively meeting the objectives of the Organization.

**d. Credit risk**

Credit risk is the risk that the Organization's counterparties will fail to meet their financial obligations to the Organization, causing a financial loss.

Accounts receivable arise primarily as a result of consulting work to governments, ministries, agencies and Crown corporations, therefore, collection risk is low. The Organization does not consider its exposure to credit risk to be material.

**e. Liquidity risk**

Liquidity risk is the risk that the Organization may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost effective manner to meet its commitments as they come due.

The Organization has in place a planning, budgeting and forecasting process to help determine the funds required to support the Organization's normal operating requirements. The Organization's annual Service Plan and budget are approved by the Board of Directors. The Organization also provides a quarterly forecast to the Audit and Risk Management Committee.

**f. Market risk**

The Organization is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the Organization is exposed are interest rate and other price risks.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**12. Risk Management (continued)**

**i. Interest rate risk**

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. Portfolio investments entered into by the Organization may bear interest at a fixed rate, thus exposing it to the risk of changes in fair value arising from interest rate fluctuations. These portfolio investments are invested in high grade, highly liquid instruments, and as such, the Organization manages its exposure to potential interest rate fluctuations in the short-term. The Organization has no interest bearing debt.

**ii. Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). The Organization is exposed to price risk through its portfolio investments.

As at March 31, 2016, the Organization's total exposure to market risk is \$4,274,020. The Organization's best estimate of the effect on net assets as at March 31, 2016, due to a 5% increase or decrease in the market value of the investment portfolio, with all other variables held constant, would approximately amount to an increase or decrease of \$213,701 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

**g. Sensitivity analysis**

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

**Partnerships British Columbia Inc.**  
**Notes to Financial Statements**  
**For the Years Ended March 31, 2016 and 2015**

**13. Budgeted figures**

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors. These budgeted figures were included in the Organization's 2015/16 Service Plan.