

COMMUNITY LIVING BRITISH COLUMBIA

Audited Financial Statements

March 31, 2017

COMMUNITY LIVING BRITISH COLUMBIA

Management's Report

Management's Responsibility for the Financial Statements

The financial statements of Community Living British Columbia as at March 31, 2017, and for the year then ended, have been prepared by management in accordance with the basis of accounting described in Note 2(a). Other significant accounting policies are described in Notes 2(b)-(e) to the financial statements.

Management is responsible for the integrity and objectivity of these financial statements, and for ensuring that the notes to the financial statements are consistent with the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that the financial information produced is reliable. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for the preparation and review of the financial statements.

The Board of Directors ("Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial statements on a regular basis and external audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to its approval of the financial statements.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on these financial statements. The external auditors have full and free access to management and the Board.

On behalf of Community Living British Columbia



Seonag Macrae
Chief Executive Officer



Richard Hunter
Vice President, Finance/ Chief Financial Officer



May 18, 2017

Independent Auditor's Report

**To the Board of Directors of
Community Living British Columbia and
to the Minister of Social Development and Social Innovation, Province of British Columbia**

We have audited the accompanying financial statements of Community Living British Columbia, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, 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 and fair presentation of these financial statements in accordance with 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 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.

*PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806*



Opinion

In our opinion, the financial statements, which comprise the statement of financial position of Community Living British Columbia as at March 31, 2017 and the statement of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with 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 of the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian Public Sector Accounting Standards.

Other matter

The financial statements of Community Living British Columbia for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 19, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Financial Position

(Expressed in thousands of dollars)

As at March 31

	2017	2016
Financial Assets		
Cash	\$ 27,717	\$ 22,538
Accounts receivable (Note 5)	2,155	1,202
Employee retiring allowance amounts receivable (Note 6a)	742	928
	30,614	24,668
Liabilities		
Accounts payable and accrued liabilities	21,054	19,282
Employee retiring allowance liabilities (Note 6a)	1,591	1,563
Deferred operating contributions (Note 7)	4,843	97
Unspent deferred capital contributions (Note 8)	196	405
Deferred capital contributions used to purchase tangible capital assets (Note 8)	10,395	10,568
	38,079	31,915
Net Debt	(7,465)	(7,247)
Non-Financial Assets		
Tangible capital assets (Notes 8 & 9)		
Funded by capital contributions	10,395	10,568
Unfunded	468	13
	10,863	10,581
Prepaid expenses	350	414
	11,213	10,995
Accumulated Surplus (Note 10)	\$ 3,748	\$ 3,748

Commitments, contractual obligations and contingencies (Note 15)

Approved on behalf of the Board:



Thomas P. Christensen
Chair



David Roy Everett
Finance & Audit Committee Chair

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

COMMUNITY LIVING BRITISH COLUMBIA
Statement of Operations and Accumulated Surplus

(Expressed in thousands of dollars)

For the year ended March 31

	2017 Budget	2017 Actual	2016 Actual
	(Note 16)		
Revenues			
Operating contributions from the Province of British Columbia	\$ 876,700	\$ 871,165	\$ 834,551
Cost sharing agreements with regional health authorities	15,300	15,309	14,977
Interest income	700	689	659
Other income	700	1,261	700
Capital contributions (Note 8)	3,400	3,197	2,861
	896,800	891,621	853,748
Expenses (Note 14)			
Supports and services:			
Developmental Disabilities Program	810,200	810,557	775,454
Personalized Supports Initiative	23,700	20,842	19,479
Provincial services	4,900	4,644	4,859
Regional operations & administration	54,500	52,316	51,061
Amortization of tangible capital assets (Note 9)	3,500	3,262	2,895
	896,800	891,621	853,748
Annual surplus	\$ -	-	-
Accumulated surplus at beginning of year		3,748	3,748
Accumulated surplus at end of year		\$ 3,748	\$ 3,748

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

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Changes in Net Debt

(Expressed in thousands of dollars)

For the year ended March 31

	2017 Budget (Note 16)	2017 Actual	2016 Actual
Annual surplus	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	(4,200)	(3,544)	(3,680)
Amortization of tangible capital assets	3,500	3,262	2,895
	(700)	(282)	(785)
Decrease in prepaid expenses		64	458
Increase in net debt		(218)	(327)
Net debt at the beginning of year		(7,247)	(6,920)
Net debt at the end of year		\$ (7,465)	\$ (7,247)

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

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Cash Flows

(Expressed in thousands of dollars)

For the year ended March 31

	2017	2016
Cash provided by (used in):		
Operating activities		
Annual surplus	\$ -	\$ -
Items not involving cash:		
Recognition of deferred capital contributions	(3,197)	(2,861)
Amortization of tangible capital assets	3,262	2,895
	65	34
Decrease (increase) in non-cash working capital	5,843	(1,613)
	5,908	(1,579)
Financing activities		
Additions to deferred capital contributions	2,815	3,058
	2,815	3,058
Capital activities		
Purchase of tangible capital assets	(3,544)	(3,680)
	(3,544)	(3,680)
Increase (decrease) in cash	5,179	(2,201)
Cash, beginning of year	22,538	24,739
Cash, end of year	\$ 27,717	\$ 22,538
Supplemental information:		
Interest received	\$ 748	\$ 650

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

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

1. Authority and purpose

Community Living British Columbia ("CLBC") was established on July 1, 2005 under the Community Living Authority Act as a Crown Corporation of the Province of British Columbia. CLBC is accountable to the provincial government through the Minister of Social Development and Social Innovation (the "Minister") and is dependent on the Ministry of Social Development and Social Innovation ("SDSI") for funding.

CLBC provides community living support to adults with either a developmental disability or a significant limitation in adaptive functioning along with a diagnosis of Fetal Alcohol Spectrum Disorder or Pervasive Developmental Disorder.

Supports and services are delivered throughout the province of British Columbia by independent service providers under contract with CLBC and by the Provincial Assessment Centre of CLBC.

Under the Community Living Authority Act, CLBC is exempt from both federal and provincial income and capital taxes.

2. Significant accounting policies

a) Basis of accounting

These financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of British Columbia.

In accordance with that Act, CLBC's accounting policies and practices conform to Canadian public sector accounting standards ("PSAS") as modified by the accounting policy for government transfers that are restricted for tangible capital assets ("capital contributions") described in note 2(b).

This modified basis of accounting is different from PSAS with respect to the timing of revenue recognition for capital contributions. PSAS requires that capital contributions are recognized as revenue when the related expenditures are incurred. If CLBC had recorded capital contributions under PSAS rather than the accounting policy described in note 2(b), capital contributions recognized as revenue and the annual surplus for the year ended March 31, 2017 would have decreased by \$173 (2016 – increased by \$819). As at March 31, 2017, deferred capital contributions used to purchase tangible capital assets would have decreased and the accumulated surplus would have increased by \$10,395 (2016 – \$10,568). Under PSAS, the total cash flows from operating, financing, and capital activities for the years ended March 31, 2017 and 2016 would have been the same as reported in these financial statements.

b) Revenue recognition

Operating contributions are accounted for in accordance with PS 3410 – *Government Transfers*. Under PS 3410, contributions without stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, and contributions that are subject to stipulations are recognized as revenue in the period when such stipulations are met.

Capital contributions are deferred and recognized as revenue at the same rate as the amortization, and any impairment, of the tangible capital asset.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

2. Significant accounting policies (continued)

b) Revenue recognition (continued)

Cost sharing agreements with the Province of British Columbia and related entities, interest income and other income are recognized as revenue in the period the transactions or events giving rise to the revenues occur.

c) Financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities.

Financial instruments are accounted for in accordance with PS 3450 – *Financial Instruments*. Accounts receivable are carried at cost less a valuation allowance. Accounts payable, accrued liabilities, salaries, wages and benefits payable are carried at cost or an estimate thereof.

d) Tangible capital assets

Tangible capital assets are initially recorded at cost. When a tangible capital asset no longer contributes to CLBC's ability to provide services, or the future economic benefit to be provided by a tangible capital asset has permanently declined below its book value, the carrying value of the asset is reduced to reflect the decline in value. Amortization is calculated on a straight-line basis over the assets' estimated useful lives or lease terms at the following rates:

Leasehold improvements	Lease term to a maximum of 5 years
Vehicles	7 years
Furniture and equipment	5 years
Information systems	3-5 years

Assets acquired under capital leases are amortized over the lesser of the estimated life of the asset and the lease term. Information systems work-in-progress represents the unamortized costs incurred for the development of information technology which is not substantially complete. On completion, the work-in-progress balance is transferred to the completed assets account and amortized over its estimated useful life.

e) Employee future benefits

Liabilities are recorded for employee retiring allowance benefits as employees render services to earn those benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method pro-rated on service. That method incorporates management's best estimate of future salary levels, retirement ages of employees, and other actuarial factors.

Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

3. Measurement uncertainty

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of accrued liabilities. Actual results could differ from these estimates.

4. Comparatives

Certain comparative figures have been restated to conform to the current year's presentation.

5. Accounts receivable

	2017	2016
Due from the Province of British Columbia	\$ 309	\$ 163
GST recoverable	381	323
Due from health authorities	230	47
Other receivables	1,686	1,415
	2,606	1,948
Valuation allowance	(451)	(746)
	\$ 2,155	\$ 1,202

6. Employee future benefits

a) Employee retiring allowance benefits

Employees with 20 years of service and having reached a certain age are entitled to receive certain lump sum payments upon retirement. These retiring allowance benefit payments are based upon final salary levels and the number of years of service.

Where employees of CLBC have accrued service with other British Columbia government organizations, under an agreement between CLBC and the BC Public Service Agency (PSA), the portion of retiring allowance benefits attributable to periods of employee service other than at CLBC, is recoverable from the PSA.

Retiring allowance liabilities and the related receivable from PSA as of March 31, 2017 and 2016 are based on an actuarial valuation as at March 31, 2017. The next actuarial valuation will be as at March 31, 2020.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

6. Employee future benefits (continued)

a) Employee retiring allowance benefits (continued)

	2017	2016
Benefit obligation, beginning of year	\$ 1,563	\$ 1,547
Service cost	90	90
Interest cost	63	63
Benefit payments	(137)	(137)
Actuarial loss	12	-
Benefit obligation, end of year	\$ 1,591	\$ 1,563
Amount recoverable from PSA	742	928
Assumed discount rate	3.40%	4.00%
Assumed rate of compensation increase	3.75%	3.75%
	2017	2016
Service cost	\$ 90	\$ 90
Interest cost	63	63
Actuarial loss	12	-
Benefits expense	\$ 165	\$ 153

b) Employee pension benefits

CLBC and its employees contribute to the Public Service Pension Plan (the "Plan"), a multi-employer defined benefit plan administered by the British Columbia Pension Corporation. The Plan has approximately 58,000 active members of which 524 (2016 – 520) are employees of CLBC.

CLBC's contributions to the Plan of \$3,136 (2016 - \$3,130) were expensed during the year.

The most recent actuarial valuation, as at March 31, 2014, indicated a funding surplus of \$194,000 for basic pension benefits. The next actuarial valuation will be as at March 31, 2017 with results available in 2018.

7. Deferred operating contributions

Deferred operating contributions represent unspent amounts received from the Province of British Columbia that are restricted for specific operating purposes. Amounts recognized as revenue in the Statement of Operations are recorded as operating contributions from the Province of British Columbia.

	2017	2016
Deferred operating contributions, beginning of year	\$ 97	\$ 3,359
Restricted operating contributions received	17,674	9,537
Amounts recognized as revenue	(12,928)	(12,799)
Deferred operating contributions, end of year	\$ 4,843	\$ 97

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

8. Deferred capital contributions

Deferred capital contributions represent amounts received from the Province of British Columbia, restricted for the purposes of acquiring tangible capital assets, which have not been recognized as revenue.

Deferred capital contributions:	2017			2016
	Spent	Unspent	Total	
Balance, beginning of year	\$ 10,568	\$ 405	\$ 10,973	\$ 10,776
Contributions received	-	2,815	2,815	3,058
Contributions used to purchase tangible capital assets	3,024	(3,024)	-	-
Amounts recognized as revenue	(3,197)		(3,197)	(2,861)
Balance, end of year	\$ 10,395	\$ 196	\$ 10,591	\$ 10,973

Funded and unfunded tangible capital assets at net book value:

	2017			2016
	Funded	Unfunded	Total	
Balance, beginning of year	\$ 10,568	\$ 13	\$ 10,581	\$ 9,796
Purchases	3,024	520	3,544	3,680
Amortization	(3,197)	(65)	(3,262)	(2,895)
Balance, end of year	\$ 10,395	\$ 468	\$ 10,863	\$ 10,581

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

9. Tangible capital assets

	Leasehold improve- ments	Vehicles	Furniture and equipment	Information systems	Information systems work-in- progress	Total
Cost:						
March 31, 2015	\$ 2,205	\$ 1,021	\$ 1,166	\$ 21,320	\$ 564	\$ 26,276
Additions	657	50	194	-	2,779	3,680
Disposals	-	(33)	(48)	-	-	(81)
Transfers	-	-	-	1,855	(1,855)	-
March 31, 2016	\$ 2,862	\$ 1,038	\$ 1,312	\$ 23,175	\$ 1,488	\$ 29,875
Additions	520	78	82	-	2,864	3,544
Disposals	-	-	(2)	(5,883)	-	(5,885)
Transfers	-	-	-	2,176	(2,176)	-
March 31, 2017	\$ 3,382	\$ 1,116	\$ 1,392	\$ 19,468	\$ 2,176	\$ 27,534
Accumulated Amortization:						
March 31, 2015	\$ 1,469	\$ 681	\$ 951	\$ 13,379	\$ -	\$ 16,480
Additions	234	82	115	2,464	-	2,895
Disposals	-	(33)	(48)	-	-	(81)
Transfers	-	-	-	-	-	-
March 31, 2016	\$ 1,703	\$ 730	\$ 1,018	\$ 15,843	\$ -	\$ 19,294
Additions	364	82	121	2,695	-	3,262
Disposals	-	-	(2)	(5,883)	-	(5,885)
Transfers	-	-	-	-	-	-
March 31, 2017	\$ 2,067	\$ 812	\$ 1,137	\$ 12,655	\$ -	\$ 16,671
Net Book Value:						
March 31, 2016	\$ 1,159	\$ 308	\$ 294	\$ 7,332	\$ 1,488	\$ 10,581
March 31, 2017	\$ 1,315	\$ 304	\$ 255	\$ 6,813	\$ 2,176	\$ 10,863

10. Accumulated surplus

The accumulated surplus of \$3,748 at March 31, 2017 and 2016 includes \$1,272 resulting from the transfer of the net assets of the Interim Authority for Community Living British Columbia to CLBC on October 7, 2005. CLBC has issued and registered to the Minister of Finance one share with a par value of ten dollars, which is also included in accumulated surplus.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

11. Financial instruments

In management's opinion, CLBC is not exposed to significant credit, currency, interest rate, liquidity and market risks relating to the valuation of financial instruments.

Cash is held in a savings account and is insured by the Credit Union Deposit Insurance Corporation. CLBC routinely monitors receivables for credit risk through analysis of the nature, terms and aging of receivables. CLBC's maximum exposure to credit risk at March 31, 2017 is \$29,872 (2016 - \$23,740) of which \$28,637 (2016 - \$23,071) is insured by the Credit Union Deposit Insurance Corporation, or is due from the Province of British Columbia, its health authorities or the Government of Canada.

Accounts payable and accrued liabilities are payable within one year.

12. Related party transactions

CLBC is related to various British Columbia public sector entities through common control by the Province of British Columbia. Transactions with these entities and the Province of British Columbia are considered to be in the normal course of operations and are recorded at their exchange amounts.

The amounts of related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

	2017		2016	
	Province of BC	BC public sector entities	Province of BC	BC public sector entities
For the year ended March 31:				
Other income	\$ 1,004	\$ -	\$ 390	\$ -
Supports and services:				
Developmental Disabilities Program	264	6,567	-	5,966
Personal Supports Initiative	-	18	-	24
Provincial services	1,461	-	1,509	-
Regional operations & administration	11,041	235	10,837	128
As at March 31:				
Accounts payable and accrued liabilities	4,211	1,056	3,957	388
Prepaid expenses	25	-	31	-

13. Segment reporting

CLBC operates in one business segment as described in Note 1.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

14. Expenses by object

	2017	2016
Contracted supports and services	\$ 833,051	\$ 796,708
Compensation and benefits	40,793	40,255
Facilities	5,435	5,204
Communications and information technology	4,172	4,155
General expenses	3,289	2,802
Administration	1,619	1,729
Amortization of tangible capital assets	3,262	2,895
	<u>\$ 891,621</u>	<u>\$ 853,748</u>

15. Commitments, contractual obligations and contingencies

a) Operating lease commitments

CLBC leases premises under operating leases. Minimum future lease payments as at March 31, 2017 are as follows:

Year ending March 31,	
2018	\$ 4,113
2019	3,122
2020	2,762
2021	2,484
2022	1,099
2023 and beyond	32

b) Contractual obligations

Contracted supports and services are primarily delivered by independent service providers under the terms of contracts which have termination notice periods of between 30 and 90 days.

c) Litigation

The nature of CLBC's activities is such that there is occasional litigation where CLBC is named as a defendant. With respect to known claims, management is of the opinion that CLBC has valid defences and appropriate insurance or other coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on CLBC's financial position and results of operations. Where it is determined that a liability is likely to exist and the amount can be reasonably determined, the amount is recorded as an accrued liability and an expense.

16. Budgeted figures

Budgeted figures are provided for comparison purposes and represent the approved budget as disclosed in the CLBC 2016/17 Service Plan dated February 16, 2016.

COMMUNITY LIVING BRITISH COLUMBIA

Notes to the Financial Statements

(Expressed in thousands of dollars)

March 31, 2017

17. Accounting standards issued but not yet adopted

The following accounting standards have been issued by Public Sector Accounting Board ("PSAB") and are required to be implemented for fiscal years beginning on or after:

a) April 1, 2017:

PS 2200 – *Related Party Disclosures*

PS 3210 – *Assets*

PS 3320 – *Contingent Assets*

PS 3380 – *Contractual Rights*

PS 3420 – *Inter-entity Transactions*

b) April 1, 2018:

PS 3430 – *Restructuring Transactions*