Partnerships British Columbia Inc.

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018

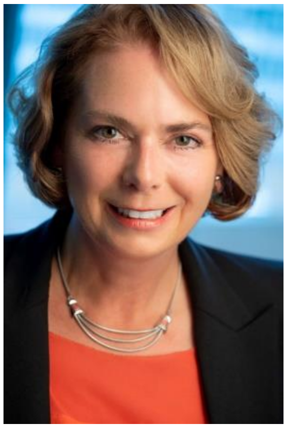
For more information on Partnerships BC contact:

VANCOUVER
1220 – 800 West Pender Street
Vancouver, BC V6C 1J8
Phone: (604) 806-4168

VICTORIA
300 - 707 Fort Street
Victoria, BC V8W 3G3
Phone: (250) 475-4668

or visit our website at
www.partnershipsbc.ca

Board Chair's Accountability Statement



It is my pleasure to present the 2017/18 Annual Service Plan Report for Partnerships British Columbia Inc. (Partnerships BC or the "Agency").

The *Partnerships BC 2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017/18 - 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.

Dana Hayden
Chair, Board of Directors

Table of Contents

Board Chair's Accountability Statement 3
Chair/CEO Report Letter 5
Purpose of the Organization 7
Strategic Direction and Operating Environment 8
Report on Performance 8
Goals, Strategies, Measures and Targets 9
Financial Report 16
Discussion of Results 16
Auditor's Report 26
Audited Financial Statements 27
Appendix A – Additional Information 43
Corporate Governance 43
Contact Information 43
Appendix B – Glossary of Terms 44

Chair/CEO Report Letter

Please find enclosed our Annual Service Plan Report for fiscal year 2017/18 which summarizes Partnerships BC's performance in the context of the Mandate Letter provided to us by our Shareholder, the Minister of Finance.

Partnerships BC supported the Government of B.C.'s three priorities as outlined in our August 2017 Mandate Letter:

- to make life more affordable;
- to deliver the services that people count on; and
- to build a strong, sustainable, innovative economy that works for everyone.

Partnerships BC's three corporate goals – to meet procurement objectives associated with complex infrastructure projects; to add value for our clients and engage stakeholders effectively; and to maintain a resilient organization are at the core of all facets of our work. From stakeholder engagement to procurement management, Partnerships BC works closely with the Ministry of Finance to ensure that our priorities align with the direction provided by the Minister of Finance. Partnerships BC has a strong understanding of B.C. Government's infrastructure priorities and policies and brings that knowledge to projects working closely with our clients to deliver projects that benefit citizens across the province.

Fiscal 2017/18 was a busy year at Partnerships BC. We had capital projects at all stages of development and construction – from concept plan to fully operational. During the year, five projects reached the operational phase: Emily Carr University of Art and Design, Kitsilano Secondary School, North Island Hospitals, BC Children's and BC Women's Hospital Redevelopment Project Phase 2 and the City of Surrey Biofuels Processing Facility. The procurement process was completed for the New Westminster Secondary School and the Capital Regional District Residuals Treatment Plant and these projects are now under construction. Partnerships BC is currently supporting clients with two projects in procurement: the Abbotsford Law Courts and the Royal Inland Hospital Patient Care Tower.

In 2017/18, Partnerships BC worked on concept plans and business cases for potential future projects demonstrating a continued focus on infrastructure development across British Columbia. Of note are three transportation and transit projects in Metro Vancouver. Partnerships BC is working closely with the Ministry of Transportation and Infrastructure and TransLink on the Pattullo Bridge Replacement project, the Millennium Line Broadway Extension and the Surrey-Newton-Guildford Light Rail Transit project.

Partnerships BC also worked with the Government of Nunavut to complete work on the new Iqaluit Airport and with the Governments of the Yukon and Saskatchewan on important infrastructure projects in their jurisdictions.

Stakeholder engagement continued to be a priority for Partnerships BC in 2017/18 and staff, the executive and the Board were involved in planning for and participating in a number of stakeholder meetings and events including our biannual practices sessions that saw more than 150 people take part. As a regular part of their responsibilities, the Executive management team attended events organized by Public Sector Employers' Council (PSEC) and the Crown Corporation's Employers Association (CCEA).

The people at Partnerships BC are the key to its success. Focused clearly on the Agency's mandate and corporate goals, the staff, executive and Board members all work together to support the development of infrastructure projects. On behalf of the Board of Directors and executive team, thank you to everyone at Partnerships BC for your commitment and expertise.

Dana Hayden

Chair, Board of Directors
Partnerships BC

Amanda Farrell

President and CEO
Partnerships BC

Purpose of the Organization

Partnerships BC (PBC) is owned by the Province of British Columbia and governed by a Board of Directors reporting to its sole Shareholder, the Minister of Finance. It is incorporated under the British Columbia *Business Corporations Act*.

Partnerships BC advises public sector clients how best to plan, procure and deliver capital projects to foster innovation and quality, and to manage projects to be on time and on budget, using various procurement models.

Partnerships BC's services include:
- Project planning
- Concept plan and business case development
- Procurement advice and management
- Design and construction oversight
- Contract administration
- Project communications support

Vision

To be a recognized leader in evaluating, structuring and implementing delivery solutions for complex public infrastructure projects while consistently delivering value to our clients.

Mandate

Partnerships BC supports the public sector in meeting its infrastructure needs by providing leadership, expertise and consistency in the procurement of complex capital projects, by utilizing private sector innovation, services and capital to deliver measureable benefits for taxpayers.

Values

Partnerships BC is committed to:

Service: Value-added, cost-effective, efficient client service.

Commitment: Delivering high quality work, to working together as a team, to collaborate and communicate in a timely way.

Accountability: Transparent management of its business, to reporting out on operations, and to ensuring compliance with public sector compensation guidelines.

Integrity: Making decisions and taking actions that are transparent, ethical and free from conflict of interest, and to adhering to its ethical code of conduct.

Respect: Engaging in equitable, compassionate, respectful and effective communications.

Strategic Direction and Operating Environment

Partnerships BC's strategic direction and context have been set by its Shareholder, as per the Crown Agency's 2017/18 August 2017 Mandate Letter. Partnerships BC meets regularly with the Ministry of Finance to ensure that Partnership BC's activities are in line with the direction of the Government of B.C.

Government has made three key commitments to British Columbians:

- to make life more affordable;
- to deliver the services that people count on; and
- to build a strong, sustainable, innovative economy that works for everyone.

Partnerships BC works diligently to ensure that it is helping to support those commitments.

Since its inception in 2002, Partnerships BC has participated in 53 projects with a cumulative capital investment of approximately $18 billion. The majority are B.C.-based projects – which are either operational, under construction or currently in the competitive selection process – and deliver infrastructure that provide essential services to British Columbians.

Partnerships BC continues to demonstrate leadership in capital project planning and procurement. The Agency has long-term relationships with clients in B.C. including: the Ministries of Transportation and Infrastructure, Health, Public Safety and Solicitor General, Education, Advanced Education, Skills and Training, and Citizens' Services along with the provincial health authorities and several B.C. Crown corporations.

Partnerships BC advises public sector clients how best to plan, procure and deliver capital projects to foster innovation and quality, address key service needs and to manage projects to be on time and on budget, using a variety of procurement models. Procurement models include design-bid-build (DBB), design-build (DB), design-build-finance (DBF), and design-build-finance-maintain (DBFM). In all cases, the public sector owns the infrastructure and maintains full oversight of the project.

Report on Performance

Partnerships BC is executing on its Strategic Plan to meet its corporate goals, developing sustainable opportunities (i.e. sufficient revenue generation from projects to support operations), and focusing on the continued growth and development of new and existing employees.

Fiscal 2017/18 was a productive year at Partnerships BC. We had capital projects at all stages of development and construction – from concept plan to fully operational. During the year, five projects reached the operational phase: Kitsilano Secondary School which used a design-build procurement and four design-build-finance-maintain projects including: Emily Carr University of Art and Design North Island Hospitals, BC Children's and BC Women's Hospital Redevelopment Project Phase 2 and the City of Surrey Biofuels Processing Facility. The procurement process was completed for the New Westminster Secondary School (design-build) and the Capital Regional District Residuals Treatment Plant (design-build-finance-maintain), and these projects are now under construction. Partnerships BC is currently supporting clients with two projects in procurement: the Abbotsford Law Courts and the Royal Inland Hospital Patient Care Tower.

In 2017/18, Partnerships BC worked on concept plans and business cases for potential future projects demonstrating a continued focus on infrastructure development across British Columbia. Three transportation and transit projects in Metro Vancouver were key projects for the Agency in 2017/18 and continue to be including: the Pattullo Bridge Replacement project, the Millennium Line Broadway Extension and the Surrey-Newton-Guildford Light Rail Transit project.

Partnerships BC also supported clients outside of British Columbia. The Agency assisted the Government of Nunavut to complete work on the new Iqaluit Airport and worked closely with the Governments of the Yukon and Saskatchewan on projects in their jurisdictions.

Partnerships BC was recognized, along with its clients, for its expertise. Several projects that the Agency has been involved in won awards in the past year. The Canadian Design-Build Institute awarded the Interior Heart and Surgical Centre project with the 2017 Design-Build Award of Excellence (Buildings Category) and the Evergreen Line project with the Design-Build Award of Excellence (Infrastructure Category). At the Canadian Council for Public Private Partnerships at its annual conference in November 2017, the Iqaluit International Airport project won the Gold Award for Infrastructure.

Stakeholder engagement and business development continued to be a key focus for Partnerships BC. Engagement and communications strategies were implemented to nurture communication with clients and stakeholders and foster a better understanding of the procurement process. Large group presentations and one-on-one meetings help to ensure that the Agency understood and addressed the needs of its stakeholders, clients and potential clients.

Partnerships BC's commitment to be a self-sustaining organization remained unchanged. The team continued to increase the number of projects it works on, properly resourcing each project and delivering value add to our clients. Project work within B.C. and out-of-province was supported by an average of 32 full-time equivalent (FTEs) employees for the fiscal year.

Goals, Strategies, Measures and Targets

Since its inception in 2002, Partnerships BC has been guided by annual direction from the Shareholder, from which the Board of Directors has approved the vision, mandate, corporate goals, performance measures, targets and service model for the Agency. The mandate, values, corporate goals, performance measures and targets were reviewed and updated in the 2015/16 fiscal year, and performance measures were further refined in 2016/17. The current corporate goals, described below, address Partnerships BC's mandate to ensure that it is meeting Shareholder and client needs effectively.

Current Goals

1. Meet procurement objectives associated with complex infrastructure projects
2. Deliver value add to our clients and engage stakeholders effectively

3. Maintain a responsive and resilient organization

Goal 1: Meet procurement objectives associated with complex infrastructure projects

Strategies

- Partnerships BC is committed to being a centre of expertise in planning and procurement, to maintaining its guidance and best practice documents, and to demonstrating quality control.

- Partnerships BC is committed to initiating innovative procurement processes and contractual structures, and working with its clients and the market to achieve procurement objectives such as fairness, transparency, attracting robust competition, achieving value for money, and meeting procurement schedules.

Performance Measure(s)	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1 Project is delivered based on the agreed upon procurement schedule	Achieved	Achieved	Each project is expected to be delivered within the agreed upon procurement schedule	Achieved	Each project is expected to be delivered within the agreed upon procurement schedule	Each project is expected to be delivered within the agreed upon procurement schedule
2 Fairness advisor report where size and scope warrants fairness review	Achieved	Achieved	Fairness advisor reports conclude that procurement processes were fairly administered	Achieved	Fairness advisor reports conclude that procurement processes were fairly administered	Fairness advisor reports conclude that procurement processes were fairly administered
3 Financial proposals are within capital and affordability ceilings	Achieved	Achieved	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings	Achieved	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings	Each project that reaches financial close is expected to be attained within the capital and affordability ceilings
4 Achieve value for money at financial close	Achieved	Achieved	Each project that reaches financial close is expected to achieve value for money	N/A*	Each project that reaches financial close is expected to achieve value for money	Each project that reaches financial close is expected to achieve value for money

Discussion

Partnerships BC worked with client project teams to collect and publish Fairness Advisor and Value for Money reports.

Partnerships BC compares the project capital and affordability ceilings as outlined in the Request for Proposal to the estimated project costs in the Value for Money report to assess consistency.

**Only projects with Design-Build procurement reached financial close in 2017/18. To date, project reports with updated Value for Money estimates have not been created for design-build projects at financial close.*

Goal 2: Deliver value-add to our clients and engage stakeholders effectively

Strategies

- Partnerships BC is committed to meeting or exceeding client expectations.
- Partnerships BC is committed to implementing and monitoring a stakeholder engagement program that uses a range of methods to gather and respond to feedback. Examples include surveys, market outreach sessions, meetings and briefings, workshops and information sharing events, conferences and business-to-business networking sessions.
- Partnerships BC is committed to maintaining strong market participation.

Performance Measure(s)	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
5. Client satisfaction*	Client survey not completed in 2015/16 due to a stakeholder engagement survey conducted in May 2015 which included some clients	Target: 85% or higher client satisfaction rating; Achieved 92.8% **client satisfaction rating	Achieve 85% or higher client satisfaction.	Next satisfaction survey to be conducted in fiscal year 2018/19*	Achieve 85% or higher client satisfaction	Achieve 85% or higher client satisfaction
6. Stakeholder satisfaction*	Established a stakeholder engagement baseline rating of 80%**	Target: 80% or higher stakeholder satisfaction rating Achieved 83.3%** stakeholder satisfaction rating	Maintain or improve upon previous year's performance	Next satisfaction survey to be conducted in fiscal year 2018/19*	Maintain or improve upon previous year's performance	Maintain or improve upon previous year's performance
7. Competitive procurements	Achieved	Achieved	At least four qualified respondents at RFQ stage	Achieved	At least four qualified respondents at RFQ stage	At least four qualified respondents at RFQ stage

Discussion

Client satisfaction and effective stakeholder outreach and engagement in procurement practices have all been identified as priority performance measures.

The performance was measured through client surveys and stakeholder interactions. Partnerships BC will continue to conduct client surveys to measure satisfaction against approved targets.

A fundamental tenet of Partnerships BC led procurements is that the public sector obtains value from procurements with robust competition.

**Client and stakeholder surveys are completed every two years.*

**The client and stakeholder satisfaction ratings have a standard error of +/- 8 per cent at the 95 per cent level of confidence. Partnerships BC has a limited number of clients and stakeholders, and as a result, the percentage satisfaction rating may fluctuate significantly from year to year.

Goal 3: Maintain a responsive and resilient organization

Strategies

- Partnerships BC is committed to ensuring an effective project work/revenue flow, with appropriate accountability, resourcing, and effective delegation across the organization.
- Partnerships BC is committed to a workplace that promotes employee engagement by promoting strong teamwork and open communication amongst all staff members, and providing learning opportunities.

Performance Measure(s)	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
8. Self sufficiency	Achieved	Achieved	Achieve net income target	Achieved	Achieve net income target	Achieve net income target
9. Employee satisfaction	Not Achieved. 78% employee engagement rating	No employee engagement survey completed	Achieve 80% or higher rating in employee survey	Not Achieved. 73% employee engagement rating	Achieve 80% or higher rating in employee survey	Achieve 80% or higher rating in employee survey
10. Voluntary employee turnover	Not Achieved. Voluntary employee turnover of 7% (industry average 6% to 8%)	Not achieved. Voluntary employee turnover of 15.6%.	Lower than industry average	Not achieved. Voluntary employee turnover of 9%.	Lower than industry average	Lower than industry average

Discussion

Partnerships BC is required by its Shareholder to be financially self-sufficient, a condition met by achieving a positive net income target on an annual basis.

Employee satisfaction and retaining employees are instrumental in ensuring the continuity of project success.

Employee engagement is measured through surveys, with a target of 80 per cent or higher employee satisfaction rating. Partnerships BC conducts the employee survey through anonymous feedback and a third party service provider. Given the agency’s small staff complement (32 FTEs), fluctuations in employee satisfaction ratings can periodically occur. PBC works diligently to identify and address opportunities to improve employee satisfaction (e.g., ensure that existing and new employees have the necessary tools and resources to successfully plan and deliver projects).

Voluntary employee turnover has historically been lower than industry average. The current goal has been in place since fiscal year 2015/16. With a small yet experienced staff complement, Partnerships BC staff are actively sought after by government ministries and other employers, and as a result, the Agency lost three staff in 2017/18, which accounts for the turnover rate of 9%. The data for the industry average were obtained from organizations such as the Human Resources Management Association and the Conference Board of Canada. Partnerships BC measures itself against the industry average and sets a target lower than this on an annual basis.

Financial Report

Discussion of Results

This Discussion of Results of Partnerships British Columbia Inc. (Partnerships BC or the 'Agency') is intended to be read in conjunction with the audited financial statements and accompanying notes. The results reported are prepared in accordance with Canadian Public Sector Accounting Standards using guidelines developed by the Public Sector Accounting (PSA) Board of the Chartered Professional Accountants of Canada.

This Discussion of Results presents an analysis of Partnerships BC's 2017/18 financial performance in comparison to the previous fiscal year and 2017/18 budget.

Comparison of 2017/18 and 2016/17 Financial Performances

During the year, the Agency had work fee revenues of $7,046,566 in 2017/18 compared to $7,424,776 in 2016/17, a decrease of $378,210 or 5.1%. The decrease in work fee revenues was largely due to the number of projects in procurement in 2017/18 – four versus six in 2016/17. The Agency reached final project agreements on two projects, Capital Regional District Residuals Treatment Facility and New Westminster Secondary School, and currently has another two projects in the market, Abbotsford Law Courts and Royal Inland Hospital Patient Care Tower.

In 2017/18, the majority of PBC work fee revenue was generated from the following projects:

Project	Delivery Model	Business Case	Procurement
Abbotsford Law Courts	DBFM	Business case was completed in fiscal 2016/17	In progress
Royal Inland Hospital Patient Care Tower	DBFM	Business case was completed in fiscal 2016/17	In progress
New Westminster Secondary School	DB	Procurement commenced in fiscal 2016/17 and a final project agreement was reached in fiscal 2017/18	
Capital Regional District Residuals Treatment Facility	DBFM	Procurement commenced in fiscal 2016/17 and a final project agreement was reached in fiscal 2017/18	
Pattullo Bridge Replacement	DBF	Business case was completed in fiscal 2017/18.	Project anticipated to be in procurement in fiscal 2018/19
Millennium Line Broadway Extension	DBF	In progress	Project anticipated to be in procurement in fiscal 2018/19
Surrey Newton Guildford Light Rail Transit	DBFM	In progress	Project anticipated to be in procurement in fiscal 2018/19
Royal Columbian Hospital Redevelopment Phase 2 and 3	DB	In progress	Project anticipated to be in procurement in fiscal 2018/19
St. Paul's Hospital Redevelopment	To be determined	In progress	To be determined

During the year, Partnerships BC also provided advisory services during design, construction and operations on the following projects:

- Evergreen Line Rapid Transit Project;
- Iqaluit Airport Improvement Project;
- Emily Carr University of Art and Design Campus Redevelopment Project;
- Penticton Hospital Patient Care Tower;
- Royal Columbian Hospital Phase 1;
- Swift Current Long Term Care Facility;
- Saskatchewan Hospital North Battleford Integrated Correctional Centre;
- Saskatchewan Joint Use Schools Project 1 and 2;
- Whitehorse General Hospital Redevelopment Project;, and
- Whistle Bend Continuing Care Project.

The table below presents a comparison of selected Statements of Operations of fiscal 2017/18 with those of the previous fiscal year.

			% of revenues	
	2018	**2017**	**2018**	**2017**
Revenues	$ 7,248,590	$ 7,565,624	100.0%	100.0%
Human resources	5,340,093	4,946,116	73.7%	65.4%
General and administrative expenses	1,440,232	1,478,551	19.9%	19.5%
Amortization	127,851	72,486	1.8%	1.0%
Operating surplus	$ 340,414	$ 1,068,471	4.7%	14.1%

Revenues

The table below provides changes to the Agency's revenues by category.

			% of revenues	
	2018	**2017**	**2018**	**2017**
Work fees	$ 7,046,566	$ 7,424,776	97.2%	98.1%
Interest income	202,024	140,848	2.8%	1.9%
	$ 7,248,590	$ 7,565,624	100.0%	100.0%

Comparison to Budget

The table below provides details of the Agency's actual and budgeted revenues for 2017/18.

	2018 Actual	**2018 Budget**	**Change**	**%**
Work fees	$ 7,046,566	$ 7,388,059	$ (341,493)	-4.6%
Interest income	202,024	141,182	60,842	43.1%
	$ 7,248,590	$ 7,529,241	$ (280,651)	-3.7%

For the year ended March 31, 2018, gross revenues were 3.7 per cent below budget Partnerships BC's budget was developed with the probabilities of having a certain number of projects in the procurement, business case, implementation, and advisory phases. Actual work fees were lower than budget because of schedule changes for certain projects and related adjustments to the timing of procurements and business case engagements that are often beyond the Agency's control. The timing of these engagements informs the Agency's resourcing requirements. As a result, as at March 31, 2018, Partnerships BC had approximately 32 FTEs compared to budgeted FTEs of 33. This difference contributed to overall lower operating expenses compared to budget in 2017/18.

Expenses

The table below provides details of the Agency's operating expenses for 2017/18 and 2016/17.

	2018	2017	Change	%
Human resources	$ 5,340,093	$ 4,946,116	$ 393,977	8.0%
Administration	267,376	250,185	17,191	6.9%
Building occupancy	577,758	559,833	17,925	3.2%
Corporate relations	8,189	21,070	(12,881)	-61.1%
Information systems	322,107	309,801	12,306	4.0%
Professional fees	137,725	183,910	(46,185)	-25.1%
Travel	127,077	153,752	(26,675)	-17.3%
Amortization	127,851	72,486	55,365	76.4%
Total General and Administrative Expenses	1,568,083	1,551,037	17,046	1.1%
Total Operating Expenses	$ 6,908,176	$ 6,497,153	$ 411,023	6.3%
% of expenses to revenues	95.3%	85.9%		
% of general and administration expenses to revenues	21.6%	20.5%		

For the year ended March 31, 2018, there was an increase in operating expenses of $411,023 or 6.3 per cent compared to last year. The increase was primarily attributable to the following:

- Human resources which includes the use of contractors for short-term resourcing requirements,
- Administration,
- Building occupancy,
- Information systems, and
- Amortization.

The increase in human resources expenses for the year ended March 31, 2018 was largely attributable to the increase in the number of employees required to deliver on the procurements and business cases for clients. Human resources expenses also included the costs related to the use of contractors on certain projects where their experiences and skills are required on a short-term basis. The increase in the number of employees and contractors also contributed to an increase in administration costs.

Total general and administrative expenses were $17,046 greater in 2017/18 compared to 2016/17. The explanations below will support the increase in general and administrative expenses.

The Agency moved into new offices in Vancouver in November 2017. The increase in building occupancy costs was due to the early occupancy of the new office to allow for a seamless transition of the Agency's information technology network system. Going forward, the Agency is expected to see a decrease in its building occupancy costs as the total lease costs for the new office is lower than the sublease at the previous office location.

With respect to information systems expenses, there were a number of one-time initiatives undertaken in 2017/18 to account for the increase in this expense. Professional support was required to assist with the office move to transition the Agency's information technology to the new office. In addition, there was an upgrade to the Agency's network system and capacity as certain equipment were considered legacy hardware that were no longer supported by the vendors. In addition, the Agency retired its SharePoint network platform and replaced it with a platform that better met the Agency's business requirements. Going forward, the Agency expects to see a decrease in its information technology expenses.

The increase in amortization expenses was due to the current accounting treatment for leasehold improvements. As part of the move to the new Vancouver office, improvements to the leased premises were made. These improvements are recorded as tangible capital assets and amortized over the term of the lease, therefore, increasing amortization expense. There assets are offset by a deferred lease inducement liability representing the amount paid for by the landlord. The deferred lease inducement is amortized on a straight-line basis and credited against building occupancy costs.

Lastly, the increase in administration costs was largely attributable to the increase in the number of FTEs in fiscal 2017/18 compared to 2016/17. In addition, there were a number of one-time initiatives such as the Vancouver office move, and procurement workshops for existing and potential clients in Vancouver and Victoria.

There were decreases in corporate relations and professional fees in 2017/18 compared to 2016/17. The decrease in professional fees was largely due to fewer Freedom of Information (FOI) requests and consultations in fiscal 2017/18.

The decrease in corporate relations expenses was due to the decision to hire a Senior Associate to support the Director of Corporate Relations.

Overall, for the year ended March 31, 2018, total expenses as a percentage of revenues were 95.3 per cent compared to 85.9 per cent for the year ended March 31, 2017. Total general and administrative expenses, as a percentage of revenues, were 21.6 per cent compared to 20.5 per cent for the year ended March 31, 2017. As reported above, the increase was attributable to the increase in human resources expenses from the increase in FTEs and the use of contractors for short-term assignments.

Comparison to Budget

The table below provides details of the Agency's actual and budgeted expenses for 2017/18.

	2018 Actual	2018 Budget	Change	%
Human resouces	$ 5,340,093	$ 5,431,762	$ (91,669)	-1.7%
Administration	267,376	256,165	11,211	4.4%
Building occupancy	577,758	606,606	(28,848)	-4.8%
Corporate relations	8,189	45,000	(36,811)	-81.8%
Information systems	322,107	324,982	(2,875)	-0.9%
Professional fees	137,725	263,952	(126,227)	-47.8%
Travel	127,077	160,857	(33,780)	-21.0%
Amortization	127,851	99,153	28,698	28.9%
Total General and Administrative Expenses	1,568,083	1,756,715	(188,632)	-10.7%
Total Operating Expenses	$ 6,908,176	$ 7,188,477	$ (280,301)	-3.9%
% of expenses to revenues	95.3%	95.5%		
% of general and administrative expenses to revenues	21.6%	23.3%		

Human resources expenses for the year ended March 31, 2018 were below budget by $91,669 or 1.7 per cent. The Agency had budgeted for 33 FTEs but averaged 32 FTEs for the full year. Going forward, the Agency has budgeted for an increase to 35 FTEs with a corresponding increase to human resources expenses to reflect the increase in project resource requirements.

Total general and administration expenses for the year ended March 31, 2018 were under budget by $188,632 or 10.7 per cent. This was due to the decreases in building occupancy, corporate relations, information systems, professional fees, and travel, net of increases in administration and amortization expenses.

Building occupancy expenses were under budget by $28,848 because the Agency had initially budgeted for a two-month early occupancy of the Vancouver office to allow for a seamless office move and transition of information technology network and equipment.

Corporate relations expenses were under budget by $36,811 because the Agency hired a permanent Senior Associate to support the Director of Corporate Relations. The initial strategy was to use contractors to support the Director of Corporate Relations but given the significant amount of stakeholder relations and communications initiatives, the Agency determined that a permanent solution was a better corporate decision.

Professional fees for the year ended March 31, 2018 were under budget by $126,227 as the projected increase in the number of FOI requests did not materialize. In addition, the Agency decided to postpone the upgrade of its Great Plains accounting system to the second quarter of 2018/19. Lastly, the Agency did not have to utilize any of the contingency incorporated in the professional fees budget.

Travel expenses for the year ended March 31, 2018 were under budget by $33,780. There was a reduction in travel for stakeholder engagement initiatives and out of province travel for business development initiatives as the Agency worked with its shareholder on its future mandate and direction. Going forward, travel costs may increase if additional stakeholder engagement and consultation are directed by the shareholder.

Total expenses for the year ended March 31, 2018 as a percentage of revenues were 95.3 per cent, in line with budget of 95.5 per cent. General and administrative expenses for the year ended March 31, 2018, as a percentage of revenues, were 21.6 per cent which was a positive variance compared to budget of 23.3 per cent.

Statement of Financial Position

The table below presents a comparison of selected financial position items of the current fiscal year with those of the previous fiscal year.

	2018	2017	Change	%
Financial Assets				
Cash	$11,965,806	$11,445,072	$ 520,734	4.5%
Accounts receivable	1,690,772	2,126,764	(435,992)	-20.5%
Portfolio investments	4,350,521	4,305,283	45,238	1.1%
Total Financial Assets	18,007,099	17,877,119	129,980	0.7%
Liabilities				
Accounts payable and accrued liabilities	894,237	988,220	(93,983)	-9.5%
Deferred lease inducement	251,496	-	251,496	0.0%
Total Liabilities	1,145,733	988,220	157,513	15.9%
Net Financial Assets	$16,861,366	$16,888,899	$ (27,533)	-0.2%
Non-Financial Assets	$ 606,383	$ 239,238	$ 367,145	153.5%
Accummulated Surplus	$17,467,749	$17,128,137	$ 339,612	2.0%

Cash increased by $520,734 from $11,445,072 as at March 31, 2017 to $11,965,806 as at March 31, 2018. The increase in cash was mainly due to the positive operating activities during the year.

Accounts receivable, which consists of work fees, project recoverable expenses and accruals at year-end, decreased by $435,992 from $2,126,764 as at March 31, 2017 to $1,690,772 as at March 31, 2018. Current accounts receivable represented 87 per cent of the balance at year-end. The Agency did not provide for any doubtful accounts for the year ended March 31, 2018.

There were some changes to non-financial assets. Capital asset additions totalled $526,669, which was in line with the Agency's approved 2017/18 capital expenditures budget.

Liabilities and accumulated surplus

Accounts payable and accrued liabilities decreased by $93,983 from $988,220 as at March 31, 2017 to $894,237 as at March 31, 2018. The decrease in accounts payable and accrued liabilities was directly related to the decrease in project recoveries at year-end and the payment of accrued benefits payable to an employee who retired during the year.

The deferred lease inducement of $251,496 consists of reimbursement of leasehold improvement costs from the lessor. This inducement is deferred and recognized as a reduction of building occupancy expense on a straight-line basis over the term of the lease.

The increase in accumulated surplus was attributable to an annual operating surplus of $340,414.

Statement of Cash Flows

Liquidity and capital resources

The table below presents a comparison of the Agency's working capital position for the current fiscal year with that of the previous fiscal year.

	2018	2017	Change
Cash	$11,965,806	$11,445,072	$ 520,734
Accounts receivable	1,690,772	2,126,764	(435,992)
Portfolio investments	4,350,521	4,305,283	45,238
Other current assets	87,542	112,991	(25,449)
	18,094,641	17,990,110	104,531
Accounts payable and accrued liabilities	894,237	988,220	(93,983)
Net working capital	$17,200,404	$17,001,890	$ 198,514

As at March 31, 2018, the Agency's principal sources of liquidity included cash of $11,965,806, accounts receivable of $1,690,772, and portfolio investments of $4,350,521. The Agency has $894,237 in accounts payable and accrued liabilities due next year. As a result, the Agency's net working capital improved by $198,514 to $17,200,404 as at March 31, 2018.

Commitments and Contractual Obligations

The Agency is committed to payments under operating leases for premises through fiscal 2023/24 as follows:

	Amount
2019	$ 498,888
2020	507,615
2021	522,864
2022	538,146
2023	547,032
2024	406,679
	$ 3,021,224

The Agency's Vancouver and Victoria office leases are scheduled to expire on February 28, 2024 and August 31, 2023 respectively.

During the year, Partnerships BC did not enter into any contractual obligations or off-balance sheet arrangements. In addition, the Agency did not have any pending litigation or contingencies as at March 31, 2018.

Selected Annual Information

The following table presents selected financial information for the years ended March 31, 2018, 2017, 2016, 2015, and 2014.

	2018	2017	2016	2015	2014
Total revenues	$ 7,248,590	$ 7,565,624	$ 6,639,559	$ 7,052,026	$ 8,588,029
Total operating expenses	$ 6,908,176	$ 6,497,153	$ 6,098,751	$ 6,512,047	$ 7,988,860
Annual operating surplus	$ 340,414	$ 1,068,471	$ 540,808	$ 539,979	$ 599,169
Total current assets	$18,094,641	$17,990,110	$16,596,719	$16,176,949	$16,437,440
Total assets	$18,613,482	$18,116,357	$16,741,492	$16,327,620	$16,577,838
Total current liabilities	$ 894,237	$ 988,220	$ 684,106	$ 809,547	$ 1,600,007
Total liabilities	$ 1,145,733	$ 988,220	$ 684,106	$ 809,547	$ 1,600,007

Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

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, 2018 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, 2018 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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 30, 2018

Audited Financial Statements

Partnerships British Columbia Inc.
Statement of Financial Position
As at March 31, 2018 and 2017

	March 31, 2018	March 31, 2017
Financial assets		
Cash	$ 11,965,806	$ 11,445,072
Accounts receivable (Note 3)	1,690,772	2,126,764
Portfolio investments (Note 4)	4,350,521	4,305,283
Total Financial Assets	18,007,099	17,877,119
Liabilities		
Accounts payable & accrued liabilities (Note 5)	894,237	988,220
Deferred lease inducement	251,496	-
Total Liabilities	1,145,733	988,220
Net financial assets	16,861,366	16,888,899
Non-financial assets		
Prepaid expenses	87,542	112,991
Tangible capital assets (Note 7)	518,841	126,247
Total Non-financial Assets	606,383	239,238
Accumulated surplus	$ 17,467,749	$ 17,128,137
Accumulated surplus is comprised of:		
Accumulated operating surplus	$ 17,459,299	$ 17,118,885
Accumulated remeasurement gains (Note 4)	8,448	9,250
Share capital (Note 8)	2	2
	$ 17,467,749	$ 17,128,137

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, 2018 and 2017

	Budget	**March 31, 2018**	**March 31, 2017**
	(Note 13)		
Revenue			
Work fees	$ 7,388,059	$ 7,046,566	$ 7,424,776
Interest income	141,182	202,024	140,848
Total Revenues	7,529,241	7,248,590	7,565,624
Expenses			
Administration	256,165	267,376	250,185
Amortization	99,153	127,851	72,486
Building occupancy	606,606	577,758	559,833
Corporate relations	45,000	8,189	21,070
Human resources	5,431,762	5,340,093	4,946,116
Information systems	324,982	322,107	309,801
Professional services	263,952	137,725	183,910
Travel	160,857	127,077	153,752
Total Expenses	7,188,477	6,908,176	6,497,153
Reimbursable costs			
Project recoveries	1,994,413	2,075,015	2,922,454
Less: Project expenses	(1,994,413)	(2,075,015)	(2,922,454)
Net reimbursable costs	-	-	-
Annual operating surplus	340,764	340,414	1,068,471
Accumulated operating surplus, beginning of year	17,118,885	17,118,885	16,050,414
Accumulated operating surplus, end of year	$ 17,459,649	$ 17,459,299	$ 17,118,885

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, 2018 and 2017

	March 31, 2018	**March 31, 2017**
Accumulated remeasurement gains, beginning of year	$ 9,250	$ 6,970
Plus: Unrealized gains attributable to: Portfolio investments	45,349	31,409
Less: Amounts reclassified to the Statement of Operations: Portfolio investments	(46,151)	(29,129)
Net remeasurement gains (losses) for the year	(802)	2,280
Accumulated remeasurement gains, end of year	$ 8,448	$ 9,250

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, 2018 and 2017

	Budget	March 31, 2018	March 31, 2017
	(Note 13)		
Annual operating surplus	$ 340,764	$ 340,414	$ 1,068,471
Acquisition of tangible capital assets	(502,680)	(526,669)	(53,960)
Amortization of tangible capital assets	99,153	127,851	72,486
Proceeds from dispositions of tangible capital assets	-	12,770	-
Gain on dispositions of tangible capital assets	-	(6,546)	-
	(403,527)	(392,594)	18,526
Additions to prepaid expenses	-	(561,144)	(281,791)
Use of prepaid expenses	(12,324)	586,593	243,562
	(12,324)	25,449	(38,229)
Effect of remeasurement gains (losses) for the year	-	(802)	2,280
Increase (decrease) in net financial assets for the year	(75,087)	(27,533)	1,051,048
Net financial assets, beginning of year	16,888,899	16,888,899	15,837,851
Net financial assets, end of year	$ 16,813,812	$ 16,861,366	$ 16,888,899

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, 2018 and 2017

	March 31, 2018	March 31, 2017
Operating transactions		
Annual operating surplus	$ 340,414	$ 1,068,471
Non-cash item included in surplus:		
Amortization of tangible capital assets	127,851	72,486
Gain on dispositions of tangible capital assets	(6,546)	-
	461,719	1,140,957
Changes in operating accounts		
Accounts receivable	435,992	(636,041)
Prepaid expenses	25,449	(38,229)
Accounts payable and accrued liabilities	(93,983)	304,114
Deferred lease inducement	251,496	-
	618,954	(370,156)
Total operating transactions	1,080,673	770,801
Capital transactions		
Purchase of tangible capital assets	(526,669)	(53,960)
Proceeds from dispositions of tangible capital assets	12,770	-
	(513,899)	(53,960)
Investing transactions		
Increase in portfolio investments, net	(46,040)	(28,983)
	(46,040)	(28,983)
Net increase in cash for the year	520,734	687,858
Cash, beginning of year	11,445,072	10,757,214
Cash, end of year	$ 11,965,806	$ 11,445,072

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

1. Nature of Operations

Partnerships British Columbia Inc. ("Partnerships BC" or the "Organization") is a company owned by the Province of British Columbia (the "Province") 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 cases, 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, local and statutory authorities in British Columbia and other Provinces, and local governments. 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.*

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 ("PSAS") 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 British Columbia Investment (BCI), formerly 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 and the provision of post-retirement health benefits 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.

2. Summary of Significant Accounting Policies (continued)

d. **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 assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the tangible capital asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

• Computer software	2 years
• Computer hardware	3 years
• Furniture and equipment	5 years
• Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to Partnerships BC's ability to provide goods and services.

e. **Prepaid expenses**

Prepaid expenses include annual software license renewals, insurance premiums, and travel costs, and are charged to expense over the periods expected to benefit from it.

f. **Deferred lease inducement**

Deferred lease inducement consists of reimbursement of leasehold improvement costs from the lessor. This inducement is deferred and recognized as a reduction to building occupancy expense on a straight-line basis over the term of the lease.

g. **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. Work fees are recognized when services are delivered. Project recoveries are recognized when services are performed or when costs are incurred.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

2. Summary of Significant Accounting Policies (continued)

h. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Reimbursable project expenses are expensed when services are performed or when costs are incurred.

i. Measurement uncertainty

The preparation of financial statements in conformity with PSAS 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.

j. Related party transactions

Partnerships BC has adopted the new Related Party Disclosures standard of PSAS effective April 1, 2017. This standard defines a related party and establishes disclosures required for related party transactions. A disclosure is presented when the following criteria are met:

- A related party exists,
- A transactions occurs between related parties,
- The transaction occurred at a value different from that which would have been arrived at if the parties were unrelated, and
- The transaction has a material financial effect.

Partnerships BC is related through common ownership to the Province of British Columbia's government ministries, agencies, and Crown corporations, and these organizations represent the majority of Partnerships BC's clients. All transactions with government entities take place on regular commercial terms and, as such, no specific disclosure is required.

3. Accounts Receivable

	March 31, 2018	March 31, 2017
Revenues receivable	$ 1,681,272	$ 2,117,264
Accrued interest	9,500	9,500
	$ 1,690,772	**$ 2,126,764**

There was no provision for doubtful accounts required as at March 31, 2018 and 2017.

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

	March 31, 2018	March 31, 2017
Provincial governments	$ 896,798	$ 1,387,148
Other government organizations	793,502	696,479
	$ 1,690,300	**$ 2,083,627**

4. Portfolio Investments

	March 31, 2018	March 31, 2017
Fair market value	$4,350,521	$ 4,305,283
Less: Original cost	(4,342,073)	(4,296,033)
Unrealized gain	**$ 8,448**	**$ 9,250**

Portfolio investments consist of investments in the Canadian Money Market Fund ST2 managed by BCI. The fund invests in government and corporate debt securities, including commercial paper. For the calendar year ending December 31, 2017, the fund had an annualized return of 0.9 percent (2016: 0.7 percent) before management fees.

5. Accounts Payable and Accrued Liabilities

	March 31, 2018	March 31, 2017
Accounts payables and accrued liabilities	$ 451,046	$ 547,191
Salaries and benefits	242,538	218,268
Accrued vacation	200,653	222,761
	$ 894,237	**$ 988,220**

6. Employee Future Benefits

Partnerships BC and its employees contribute to 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. As such, no pension liability for this type of plan is included in the financial statements.

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% (2017: 9.43%). Partnerships BC's contributions exceed the employee contributions to the plan. During the year ended March 31, 2018, Partnerships BC contributed $408,637 (2017: $390,711) to the Plan. These contributions are the Organization's pension expense which is included under salaries and benefits expense.

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, 2017 showed that the Plan had a surplus of $1.9 billion and is 108 percent funded as it had assets of $24.7 billion and liabilities of $22.8 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The next valuation will be as at March 31, 2020 with results available by the end of 2020.

For pensionable service earned after April 1, 2018, the contribution rate for eligible employees will be 8.35% of salary. Partnerships BC's contribution rate will be 9.85% of the eligible employees' salary.

7. Tangible Capital Assets

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2018 Total
Cost					
Opening Balance	$ 87,177	$ 454,732	$ 143,724	$ 408,408	1,094,041
Additions	-	109,756	22,947	393,966	526,669
Dispositions	-	(12,220)	-	-	(12,220)
Closing Balance	87,177	552,268	166,671	802,374	1,608,490
Accumulated Amortization					
Opening Balance	87,177	391,601	131,956	357,060	967,794
Amortization	-	49,419	6,320	72,112	127,851
Dispositions	-	(5,996)	-	-	(5,996)
Closing Balance	87,177	435,024	138,276	429,172	1,089,649
Net book value	**$ -**	**$ 117,244**	**$ 28,395**	**$ 373,202**	**$ 518,841**

	Computer software	Computer hardware	Furniture and equipment	Leasehold improvements	2017 Total
Cost					
Opening Balance	$ 87,177	$ 404,539	$ 139,957	$ 408,408	$ 1,040,081
Additions	-	50,193	3,767	-	53,960
Closing Balance	87,177	454,732	143,724	408,408	1,094,041
Accumulated Amortization					
Opening Balance	87,177	345,841	121,636	340,654	895,308
Amortization	-	45,760	10,320	16,406	72,486
Closing Balance	87,177	391,601	131,956	357,060	967,794
Net book value	**$ -**	**$ 63,131**	**$ 11,768**	**$ 51,348**	**$ 126,247**

8. Share Capital

The authorized share capital is 5,000,000 common shares at no par value. There are two issued shares held by the Minister of Finance.

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. Commitments

The Organization is committed to payments under operating leases for premises through 2023/24 as follows:

Year	Amount
2019	$ 498,888
2020	507,615
2021	522,864
2022	538,146
2023	547,032
2024	406,679
	$ 3,021,224

The Organization’s Vancouver and Victoria office leases are scheduled to expire on February 28, 2024 and August 31, 2023 respectively.

11. 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, interest rate risk, and other price risk. There have been no changes to the risks the Organization is exposed to from the prior year.

11. 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.

There have been no changes in the objectives, policies and processes for managing risk from the prior year.

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 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.

11. Risk Management (continued)

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.

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, 2018, the Organization’s total exposure to market risk is $4,350,521. The Organization’s best estimate of the effect on net assets as at March 31, 2018, 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 $217,526 respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

11. Risk Management (continued)

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.

12. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on September 5, 2017. These budgeted figures were included in the Organization’s 2017/18 – 2019/20 Service Plan.

13. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Appendix A – Additional Information

For further information on Partnerships BC, please visit our website at www.partnershipsbc.ca.

Corporate Governance

Partnerships BC is governed by a Board of Directors that is responsible to the Minister responsible for the implementation of government direction. The Board's direction is implemented by management, who carries out the day-to-day operations of the Corporation under the supervision of the President and Chief Executive Officer. For more information on Corporate Governance, please refer to our web page at www.partnershipsbc.ca

Contact Information

VICTORIA
300 - 707 Fort Street
Victoria, BC
V8W 3G3
Phone: (250) 475-4668

VANCOUVER
1220 – 800 West Pender
Street Vancouver, BC
V6C 1J8
Phone: (604) 806-4168

Appendix B – Glossary of Terms

Business Case

Provides decision-makers sufficient information about a project to commit to implementation of the project. Expands on the contents of the concept plan, while focusing specifically on procurement options analysis and funding impact.

Concept Plan

Written before the business case, a concept plan provides a general overview of a project to obtain government direction and approval to move the planning process forward. Includes the need to address service demand pressures and a preliminary analysis of potential service delivery options.

Design-Bid-Build

Under this model, the owner enters into separate contracts with the designer and contractor. This is a traditional project delivery method.

Design-Build

Under this model, the design-builder enters into a single contract with the owner and is responsible for both the design and construction of the project. Risk is transferred to the design-builder.

Design-Build-Finance

Under this model, Project Co enters into a single contract with the owner and is responsible for the design, construction and financing of the project. Risk is transferred to Project Co.

Design-Build-Finance-Maintain

Under this model, the Project Co enters into a single contract with the owner and is responsible for the design, construction, financing of the project and maintenance of the asset following completion for a set amount of years (typically 30). Risk is transferred to Project Co.

Fairness Advisor Report

A Fairness Advisor is an independent third-party whose role is to observe and/or monitor the procurement process and to report as to the fairness of the procurement process observed. A clean report attests to the fairness of the procurement process, enhances the integrity of the public procurement process by providing comfort to the proponents that the process was credible and provided equal opportunity for all to compete.

Request for Proposals (RFP)	Invites eligible Proponents from the RFQ stage to prepare and submit Proposals to design and build and potentially finance and maintain (depending on the model) the project under a long-term project agreement.
Request for Qualifications (RFQ)	Invites interested parties to submit responses indicating their interest and qualifications for a project. Based on responses, a shortlist of up to three Proponents are invited to participate in the next stage of the Competitive Selection Process, the Request for Proposals stage.
Value for Money (VFM)	The risk-adjusted difference in present value dollar terms between the partnership and traditional delivery models costs. Not all benefits are captured in a value for money number. Examples of such benefits include early completion and delivery of associated services to the public or improved long-term service outcomes (e.g. better clinical outcomes in a hospital).