

Financial Statements of

**BRITISH COLUMBIA
SAFETY AUTHORITY**

(dba Technical Safety BC)

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of British Columbia Safety Authority

We have audited the accompanying financial statements of British Columbia Safety Authority, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 accounting standards for not-for-profit organizations, 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.

Auditors' 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 our 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, we consider 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 British Columbia Safety Authority as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

Burnaby, Canada
March 15, 2018

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)
Statement of Financial Position

December 31, 2017, with comparative information for 2016

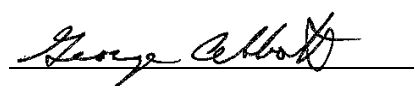
	2017	2016
Assets		
Current assets:		
Cash	\$ 7,400,143	\$ 6,028,557
Accounts receivable (note 3)	3,174,064	2,339,103
Leasehold inducement receivable (note 4)	2,880,790	-
Prepaid expenses	1,280,232	1,093,590
Investments (note 5)	6,500,000	4,500,000
	<u>21,235,229</u>	<u>13,961,250</u>
Investments (note 5)	23,065,177	24,365,154
Intangible assets (note 6)	5,483,291	6,167,825
Property and equipment (note 7)	7,583,222	4,967,065
	<u>\$ 57,366,919</u>	<u>\$ 49,461,294</u>

Liabilities and Net Assets

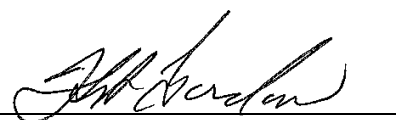
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 7,812,168	\$ 5,787,005
Deferred revenue	15,948,765	15,298,891
Current portion of capital lease obligation (note 9)	62,756	-
Current portion of deferred leasehold inducements (note 10)	328,492	112,426
	<u>24,152,181</u>	<u>21,198,322</u>
Accrued employee future benefits (note 11(b))	670,238	719,321
Capital lease obligation (note 9)	246,564	-
Deferred leasehold inducements (note 10)	2,684,697	125,896
	<u>27,753,680</u>	<u>22,043,539</u>
Net assets:		
Investment in property, equipment and intangible assets	12,757,194	11,134,890
Internally restricted:		
Education reserve	232,860	60,010
Capital reserve	6,500,000	6,500,000
Unrestricted operating reserve	10,123,185	9,722,855
	<u>29,613,239</u>	<u>27,417,755</u>
Commitments (note 15)		
Contingencies (note 16)		
	<u>\$ 57,366,919</u>	<u>\$ 49,461,294</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)
Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Services and related fees (note 12)	\$ 60,227,584	\$ 56,204,845
Investment and other income (note 13)	1,262,237	1,128,887
	<u>61,489,821</u>	<u>57,333,732</u>
Expenses:		
Salaries and benefits	39,885,474	36,601,361
General, operating and administration	6,258,765	5,289,373
Amortization and writedown of property, equipment and intangible assets (notes 6 and 7)	4,077,354	4,640,671
Building occupancy	3,032,734	2,803,442
Communications and information services	3,245,055	2,567,177
Transportation	2,357,854	2,157,044
Corporate governance	494,019	363,439
	<u>59,351,255</u>	<u>54,422,507</u>
Excess of revenue over expenses	<u>\$ 2,138,566</u>	<u>\$ 2,911,225</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)
Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

					2017	2016
	Investment in property and equipment and intangible assets	Education reserve	Capital reserve	Operating reserve	Total	Total
Net assets, beginning of year	\$ 11,134,890	\$ 60,010	\$ 6,500,000	\$ 9,722,855	\$ 27,417,755	\$ 24,687,407
Excess of revenue over expenses	(4,077,354)	-	-	6,215,920	2,138,566	2,911,225
Remeasurement gain (loss) on accrued employee future benefits (note 11(b))	-	-	-	56,918	56,918	(180,877)
Net investment in property, equipment and intangible assets	5,699,658	-	(5,716,718)	17,060	-	-
Interfund transfer (note 14)	-	172,850	5,716,718	(5,889,568)	-	-
Net assets, end of year	\$ 12,757,194	\$ 232,860	\$ 6,500,000	\$ 10,123,185	\$ 29,613,239	\$ 27,417,755

See accompanying notes to financial statements.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)
Statements of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 2,138,566	\$ 2,911,225
Items not involving cash:		
Amortization of deferred leasehold inducements	(105,923)	(112,426)
Amortization of property, equipment and intangible assets	4,039,822	3,717,990
Gain on disposal of property and equipment	(92,599)	(43,582)
Writedown of intangible assets	37,532	922,681
Change in fair value of investments	(253,413)	(596,395)
Change in accrued employee future benefits	7,835	(122,578)
Net changes in non-cash working capital items (note 17)	(1,227,356)	1,854,295
	4,544,464	8,531,210
Financing:		
Deferred leasehold inducement receivable	2,880,790	-
Principal payments on capital lease obligation	(25,420)	-
	2,855,370	-
Investments:		
Purchase of property and equipment	(4,765,319)	(2,162,569)
Proceeds from disposal of property and equipment	109,660	43,582
Purchase of intangible assets	(925,979)	(723,134)
Interest on investments re-invested	(446,610)	(296,883)
Purchase of investments	-	(3,999,995)
	(6,028,248)	(7,138,999)
Increase in cash	1,371,586	1,392,211
Cash, beginning of year	6,028,557	4,636,346
Cash, end of year	\$ 7,400,143	\$ 6,028,557
Non-cash transactions:		
Property and equipment financed by capital lease	\$ 334,740	\$ -

See accompanying notes to financial statements.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)
Notes to Financial Statements

Year ended December 31, 2017

1. Operations:

British Columbia Safety Authority (“BCSA”) (dba Technical Safety BC) is a not-for-profit organization incorporated through the Safety Authority Act. BCSA administers the service delivery components of the Safety Standards Act delegated to it by the Province of British Columbia. The delegation of authority is based on an Administrative Agreement between the Province of British Columbia and BCSA. The Administrative Agreement establishes the rights and responsibilities and terms and conditions of both parties. BCSA is exempt from income taxes.

BCSA delivers services in British Columbia by partnering with business, industry and the general public to enhance the safety of technical systems, products, equipment and work. BCSA is responsible for overseeing the safety of electrical equipment and systems, boilers, pressure vessels and refrigeration systems, natural gas and propane appliances and systems, elevating devices, railways, passenger ropeways and amusement devices.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as recommended by the Chartered Professional Accountants Canada.

(b) Revenue recognition:

Fees that cover a specific period are recognized as revenue evenly over that period. Fees that do not cover a specific period and are earned over a period of time are recognized as revenue over an estimated period that is based on past history. In both cases, unearned fees are recorded as deferred revenue.

All other revenue is recognized when the services are performed and the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Net assets:

(i) Investment in property, equipment and intangible assets:

These net assets represent the investment that BCSA has made in property, equipment and intangible assets.

(ii) Education reserve:

In accordance with the Safety Standards Act, BCSA established the education reserve to reserve monetary penalties collected by BCSA to be expended on accident prevention and safety education programs.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(c) Net assets (continued):

(iii) Capital reserve:

The capital reserve was established to fund long-term capital investment projects, such as the modernization of facilities and information technology systems.

(iv) Operating reserve:

The operating reserve represents the accumulated unrestricted surplus of BCSA.

(d) Investments:

Investments are carried at fair value based on published quoted prices at year-end. All investments are held in pooled funds. Investment income and changes in fair value are recognized in the statement of operations.

Short-term investments include those investments which BCSA intends to hold for capital projects in the next fiscal year. Investments that are expected to be realized beyond the next fiscal year are classified as long-term.

(e) Intangible assets:

BCSA customizes third-party software for internal use. All intangible assets are recorded at cost. Direct costs attributable to new customizations or significant modifications to previous customizations are capitalized after the technological feasibility has been established. Direct costs attributable to major safety program development are capitalized. Direct costs attributable to minor modifications of previous customization, and costs to support or service internally customized third-party software are expensed in the period incurred.

When an intangible asset no longer has any long-term service potential to BCSA, the excess of its net carrying amount over any residual value will be recognized as an expense in the statement of operation.

Amortization commences when the software is brought into service. The software is amortized using the straight-line method over the estimated useful lives of the assets at the following annual rates:

Asset	Basis
Software systems	4 to 8 years
Safety program software development costs	5 years

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(f) Property and equipment:

Property and equipment are recorded at cost. Repairs and maintenance costs are recorded as expenses. Betterments which extend the life of an asset are capitalized. When property and equipment no longer contribute to BCSA's ability to provide services, its carrying amount is written down to its residual value. Amortization of property and equipment commences when it is brought into service. The assets are amortized using the straight-line method over the estimated useful lives of the assets at the following annual rates:

Asset	Basis
Computer hardware	3 to 5 years
Vehicles	5 years
Furniture and equipment	5 years
Leasehold improvements	term of the lease
Leased property and equipment	term of the lease

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased property and equipment. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(g) Deferred leasehold inducements:

Deferred leasehold inducements include amounts received in lease agreements related to leasehold improvements. Amortization of deferred leasehold inducements is recognized over the initial term of the lease, including any rent-free periods, on a straight-line basis against building occupancy expense.

(h) Employee future benefits:

BCSA accrues its obligations under defined benefit plans as the employees render the services necessary to earn the benefits. Actuarial gains (losses) on the accrued benefit obligation arising from differences between actual and expected experience are recognized immediately. Actuarial assumption changes resulting in remeasurement are recognized directly in net assets in the period they occur.

BCSA is a participating employer of the Public Service Pension Plan, a jointly trustee pension plan. The pension plan is a multiemployer plan and as a result, required contributions are expensed as incurred. The plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, management makes estimates to determine the useful lives of property, equipment and intangible assets, the period over which deferred revenue is recognized as revenue, and accrued employee future benefits at the end of the year. Actual results could differ from those estimates.

(j) Financial instruments:

BCSA's financial instruments consist of cash, accounts receivable, leasehold inducement receivable, investments, and payables and accruals. Cash, accounts receivable, leasehold inducement receivable, and payables and accruals are initially recorded at fair value and subsequently recorded at cost or amortized cost. Investments are initially measured at fair value, and also subsequently carried at fair value, with changes in fair value recognized in the statement of operations.

The carrying value of accounts receivable, leasehold inducement receivable and payables and accruals approximates fair value as at December 31, 2017 and 2016.

BCSA classifies financial instruments measured at fair value into one of three levels of a fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values:

Level 1 – quoted prices in active markets;

Level 2 – measurements determined using valuation models that employ observable inputs; and

Level 3 – measurements determined using valuation models that employ unobservable inputs.

All investments held by BCSA at December 31, 2017 are considered Level 2 (2016 - Level 2).

3. Accounts receivable:

	2017	2016
Trade and other receivables	\$ 3,834,544	\$ 3,024,149
Allowance for doubtful accounts	(660,480)	(685,046)
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	\$ 3,174,064	\$ 2,339,103

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Leasehold inducement receivable:

Under the terms of the lease agreement for BCSA's new corporate head office, BCSA will be reimbursed for costs incurred on leasehold improvements up to a maximum of \$3,140,700. As at December 31, 2017, \$2,880,790 was recorded as leasehold inducements for the costs incurred by BCSA to December 31, 2017.

5. Investments:

BCSA manages its investment portfolio through a third party investment manager, who invests according to BCSA's investment policy. Investments are held in short-term money market and Canadian dividend funds.

	2017		2016	
	Cost	Fair value	Cost	Fair value
Money market fund	\$ 24,623,554	\$ 24,623,554	\$ 24,415,354	\$ 24,415,354
Canadian dividend fund	4,350,982	4,941,623	4,112,572	4,449,800
	<u>\$ 28,974,536</u>	<u>\$ 29,565,177</u>	<u>\$ 28,527,926</u>	<u>\$ 28,865,154</u>

	2017	2016
Current portion	\$ 6,500,000	\$ 4,500,000
Long-term portion	23,065,177	24,365,154
	<u>\$ 29,565,177</u>	<u>\$ 28,865,154</u>

6. Intangible assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Software systems	\$ 17,889,460	\$ 12,929,379	\$ 4,960,081	\$ 6,116,061
Safety program software development costs	173,020	155,860	17,160	51,764
Software systems under development	506,050	-	506,050	-
	<u>\$ 18,568,530</u>	<u>\$ 13,085,239</u>	<u>\$ 5,483,291</u>	<u>\$ 6,167,825</u>

Software systems include online transaction and reporting tools, the core production system and Human Resources Management System.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Intangible assets (continued):

Intangible assets were written down by \$37,532 (2016 - \$922,681) related to a portion of the core production system that is no longer in use. The write-down is included as an expense in the statement of operations for the year ended December 31, 2017.

7. Property and equipment:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 5,107,842	\$ 3,813,073	\$ 1,294,769	\$ 737,066
Software systems integral to hardware operations	943,619	943,619	-	22,133
Vehicles	4,923,535	3,532,841	1,390,694	1,650,217
Furniture and equipment	3,538,646	2,463,450	1,075,196	987,753
Leasehold improvements	6,619,326	3,079,213	3,540,113	1,569,896
Leased property and equipment	334,740	52,290	282,450	-
	\$ 21,467,708	\$ 13,884,486	\$ 7,583,222	\$ 4,967,065

Included in property and equipment is work in progress totalling \$3,686,331 (2016 - \$612,397) which has not been amortized.

8. Accounts payable and accrued liabilities:

	2017	2016
Trade payables and accruals	\$ 3,492,700	\$ 1,512,250
Government taxes and remittances	359,548	348,808
Wages and related costs payable	3,959,920	3,925,947
	\$ 7,812,168	\$ 5,787,005

Government remittances consist of amounts such as, sales taxes, Board of Directors' and employee payroll withholdings, employee benefit costs and worker's compensation premiums.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Capital lease obligation:

BCSA has capital leases for vehicles with future minimum annual payments as follows:

2018	\$	73,959
2019		73,959
2020		73,959
2021		73,959
2022		43,141
Total minimum lease payments		338,977
Less amount representing interest at 3.99%		29,657
Present value of minimum capital lease payments		309,320
Current portion		62,756
Long-term portion	\$	246,564

10. Deferred leasehold inducements:

Deferred leasehold inducements relate to leasehold improvements in the currently occupied New Westminster office and Vancouver office that BCSA will be moving to with estimated remaining lease terms, including rent-free periods, of 15 and 129 months, respectively.

	2017	2016
Deferred leasehold inducements, beginning of year	\$ 238,322	\$ 350,748
Leasehold inducements – Vancouver office	2,880,790	-
Less amortization recorded net of building occupancy expense	(105,923)	(112,426)
Deferred leasehold inducements, end of year	3,013,189	238,322
Current portion	328,492	112,426
Long-term portion	\$ 2,684,697	\$ 125,896

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Accrued employee future benefits:

(a) Public Service Pension Plan:

BCSA and its permanent employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including asset investment and plan administration. The pension plan is a multi-employer contributory defined benefit pension plan with 59,000 active members and 46,000 retired members as at March 31, 2017.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The latest valuation as at March 31, 2014 indicated a \$194 million surplus for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2017, with results available in 2018.

Employer contributions to the Public Service Pension Plan during the year were \$3,063,120 (2016 - \$2,759,331).

(b) Defined Supplemental Retirement Benefit Plan:

Under the collective agreement and terms of employment, BCSA accrues a provision for a Defined Supplemental Retirement Benefit Plan as employees render the services required to earn that benefit. Employees eligible to receive a benefit from the Public Service Pension Plan upon retirement and who have completed 20 years of service with BCSA are entitled to an additional benefit from the Defined Supplemental Retirement Benefit Plan. The additional benefit is calculated as one to three month's salary, based on the number of years of service between the employee's 20th and 30th year with BCSA (maximum).

BCSA accrues the cost of these employee future benefits over the periods in which the employees earn the benefit. The cost of employee future benefits is actuarially determined using the projected benefit method pro-rated on service and includes, but is not limited to, management estimate of future salary increases, the retirement age and date of employees and the discount rate. The discount rate used is based on market rates as at the measurement date. Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. Past service costs from plan amendments and net actuarial gains or losses are recognized in the statement of changes in net assets in the period they occur.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. Accrued employee future benefits (continued):

(b) Defined Supplemental Retirement Benefit Plan (continued):

The latest full actuarial valuation was at December 31, 2016. A full actuarial valuation is performed every three years. Extrapolations of the last valuation are performed by the actuary in years where a full valuation is not performed.

The following is the reconciliation of the accrued employee future benefits liability:

	2017	2016
Accrued employee future benefits, beginning of year	\$ 719,321	\$ 661,022
Current service cost	59,049	51,353
Interest cost	25,896	22,475
Benefits paid	(77,110)	(196,406)
Actuarial loss (gain)	(56,918)	180,877
Accrued employee future benefits, end of year	\$ 670,238	\$ 719,321

The expense for the plan is comprised of the following:

	2017	2016
Current service cost	\$ 59,049	\$ 51,353
Interest cost	25,896	22,475
Retirement benefit plan expense	\$ 84,945	\$ 73,828

The significant actuarial assumptions adopted in measuring the accrued benefit obligation are as follows:

	2017	2016
Discount rate	3.30%	3.60%
Rate of compensation increase	3.10%	3.10%

The accrued benefit obligation is not funded as funding is provided when benefits are paid. Accordingly, there are no plan assets.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

12. Services and related fees revenue:

	2017	2016
Installation permits	\$ 33,405,574	\$ 30,594,440
Operating permits	16,074,285	14,359,583
Certification and licensing	3,701,207	3,636,110
Design registration	2,060,635	2,289,914
Inspections	2,016,701	1,994,678
ASA and ESA	1,177,400	1,400,235
Equipment approvals	1,129,379	1,074,775
Miscellaneous revenue	662,403	855,110
	<u>\$ 60,227,584</u>	<u>\$ 56,204,845</u>

13. Investment and other income:

	2017	2016
Investment income	\$ 465,349	\$ 313,447
Change in fair value on investments	253,413	596,395
	<u>718,762</u>	<u>909,842</u>
Interest income on cash balances	80,676	66,713
Gain on disposal of property and equipment	92,599	43,582
Monetary penalties issued	370,200	108,750
	<u>\$ 1,262,237</u>	<u>\$ 1,128,887</u>

14. Internal fund transfers:

Internal fund transfers is comprised of the following:

(a) Education reserve:

Transfer of \$172,850 from the operating reserve to the internally restricted reserve for monetary penalties collected that will be expended on accident prevention and safety education programs.

(b) Capital reserve:

Transfer of \$5,716,718 from the operating reserve to the capital reserve to fund long-term capital investment projects.

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

15. Commitments:

(a) Operating leases:

BCSA leases office space with future minimum annual payments as follows:

2018	\$	2,897,892
2019		2,239,483
2020		1,896,804
2021		1,704,747
2022		1,699,427
Thereafter		9,474,445
		<hr/>
	\$	19,912,798

(b) Line of credit:

BCSA has an undrawn credit facility with a maximum borrowing capacity of \$2,000,000. This can be drawn at the greater of the prime lending rate and the 30 day Bankers' Acceptance CDOR rate plus 0.625%.

16. Contingencies:

In the ordinary course of operations, BCSA may be contingently liable for litigation and claims with customers, suppliers and employees. Specific claims have been brought against BCSA, the outcome of which is indeterminable at this time. Liabilities on any litigation are recognized in the financial statements when the outcome becomes reasonably determinable. In management's judgment, no material exposure exists on the eventual settlement of any existing litigation.

17. Change in non-cash working capital accounts:

	2017	2016
Accounts receivable	\$ (834,961)	\$ 375,203
Leasehold inducement receivable	(2,880,790)	-
Prepaid expenses	(186,642)	(239,906)
Accounts payable and accrued liabilities	2,025,163	716,838
Deferred revenue	649,874	1,002,160
	<hr/>	
	\$ (1,227,356)	\$ 1,854,295

BRITISH COLUMBIA SAFETY AUTHORITY

(dba Technical Safety BC)

Notes to Financial Statements (continued)

Year ended December 31, 2017

18. Financial instruments risk, exposure and management:

BCSA has exposure to the following risks from its financial instruments:

(a) Credit risk:

Credit risk is the risk of loss resulting from the failure of a customer or other debtor to honour its financial obligations. BCSA is exposed to credit risk with respect to the accounts receivable and leasehold inducement receivable. Trade accounts receivable over 120 days are reviewed quarterly. All amounts over \$2,500 are reviewed for collectability and specific provisions are made accordingly. For remaining accounts, management applies a general provision based on past experience of collection. There has been no change to the risk exposure in 2017.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. BCSA is exposed to fair value risk on its investments. BCSA is not significantly exposed to foreign currency risk or other price risk. There has been no change to the risk exposure in 2017.

(c) Interest rate risk:

Interest rate risk is the risk that BCSA's investments will change in fair value due to future fluctuations in market interest rates. The risk arises primarily on interest-bearing financial instruments held in pooled money market and Canadian dividend funds. There has been no change to the risk exposure in 2017.

(d) Liquidity risk:

Liquidity risk is the risk that BCSA will not be able to meet its financial obligations as they fall due. BCSA's approach to managing liquidity risk is to ensure that it will have a sufficient net monetary position and cash flow generated from operations to fund the operations and settle debt and liabilities when due. BCSA also maintains an operating reserve to mitigate this risk. There has been no change to the risk exposure in 2017.