

**Columbia Basin Trust**

**2017/18**

**ANNUAL SERVICE PLAN REPORT**

**July 2018**



Columbia  
Basin **trust**

The Columbia Basin Trust logo, with "Columbia" and "Basin" stacked in a grey sans-serif font, and "trust" in a larger, multi-colored (green and blue) sans-serif font.

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## Board Chair's Accountability Statement



The Columbia Basin Trust *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.

A handwritten signature in black ink that reads "Rick Jensen". The signature is written in a cursive, flowing style.

Rick Jensen  
Board Chair

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## Chair/CEO Report Letter



Columbia Basin Trust (the Trust) exists to support the efforts of Basin residents to create a legacy of social, economic and environmental well-being. Our financial support comes from our investments, and in 2017/18, our revenues totaled \$64 million allowing us to deliver \$57 million in funding benefits and commercial investments that positively impact the communities and residents of the Basin.

The [Columbia Basin Management Plan](#) sets out 13 strategic priorities for 2016 to 2020 and guides how we support Basin communities. The Trust has made significant progress on these priorities with many new programs and initiatives announced in 2017/18 including:



- \$28-million partnership with BC Housing to create 225 affordable housing units over the next three years, and \$4.5 million over three years to support First Nations communities with affordable housing.
- \$10-million Ecosystem Enhancement Program that will help maintain and improve ecosystem health and native biodiversity over five years.
- \$3.6-million childcare support program to maintain and create new childcare spaces over three years.
- A fibre-optic link between Kaslo and Balfour to increase broadband capacity in the area through the deployment of 36 km underwater optical fibre cable in Kootenay Lake.
- Expanded support for arts, culture and heritage with \$11.6 million in programs and support over three years.

Currently, the Trust has over 65 active programs and initiatives, the largest number ever.

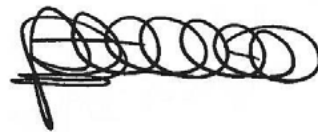
This year, the Trust also implemented a Shared Services Framework with our joint venture partner Columbia Power Corporation. The Trust hired ten former Columbia Power staff under this agreement to deliver services such as accounting, communications, human resources and other office services.

These and other activities carried out in 2017/18 align with Government's principles of making life more affordable, delivering the services people count on and helping to support a strong, sustainable economy.

The Trust met regularly with the Minister Responsible and government officials over the past year to discuss progress on the objectives identified in the August [2017 Mandate Letter](#).



Rick Jensen  
Board Chair



Johnny Strilaeff  
President and Chief Executive Officer

## Purpose of the Organization

The [Columbia Basin Trust Act](#) and the [Financial Agreement](#) formally established Columbia Basin Trust in 1995. The legislation outlines the dual accountability the Trust has to both the residents of the Columbia Basin and to the Province, its shareholder. A [Memorandum of Understanding](#) further clarifies the dual accountability and relationship with the Province. Within the provincial government, the Minister of Children and Family Development is responsible for the Trust.

The Trust has two core functions:

1. Invest capital and manage the assets of the Trust (Investment Program).
2. Use the income earned from the Trust's investments to deliver benefits to the Basin (Delivery of Benefits).

These are supported by Corporate Operations, which includes administration, communications, finance and accounting, human resources, information technology, planning and evaluation, procurement and records management.

The Trust supports the efforts of the people who live in British Columbia's Columbia Basin, working with them to deliver social, economic and environmental benefits to the Columbia Basin Trust region. We do this by:

- investing in Basin power projects, businesses and real estate (to generate a financial return);
- investing in projects that have broader community impact and where financial return is secondary;
- engaging with residents to understand priorities;
- facilitating, convening and providing access to information to deepen our collective understanding of issues;
- partnering with organizations that have complementary objectives and expertise in particular issues or sectors to work toward attaining common goals;
- developing initiatives and programs that address specific needs linked to our strategic objectives, delivered by the Trust or partners; and
- providing grants to a wide range of community projects, as well as to the social, economic, environment, youth, and arts and culture sectors, administered by the Trust or by partners.

The Trust has two operating subsidiaries: Columbia Basin Broadband Corporation (CBBC); and Columbia Basin Development Corporation (CBDC). CBBC works with Basin communities and rural areas to improve high-speed connectivity through a region-wide fibre optic cable network. The Trust formed CBDC in 2016 to lead and support efforts to advance economic growth, job creation, innovation and entrepreneurial opportunities in the Basin.

The Trust also has nine wholly owned holding companies that hold our interests in investments: see Appendix B.

## **Strategic Direction and Operating Environment**

### **Strategic Direction**

The Trust works with the Province to set priority actions for the coming year. Under the August 15, [2017 Mandate Letter](#), the government's three key commitments align well with the work of the Trust to be cost-conscious, to deliver on the priorities of Basin residents, and to advance economic development in the region.

Decisions related to the Trust's Investment Program and Delivery of Benefits activities are made within the context of its legislation and Board-approved [Statement of Investment Policies and Procedures](#).

The Trust sets its priorities and goals in consultation with the residents of the region. The resulting [Columbia Basin Management Plan](#) provides a high-level road map to focus the Trust's work in the Basin. Greater direction is captured in the Trust's specific five-year strategic plans.

### **Operating Environment**

In 2017/18, Trust revenues were stable with a solid stream of revenues from Power Projects accounting for approximately 85 per cent of total revenues.

The Trust transitioned from research and development to implementation of new programs and initiatives to address many of the 13 strategic priorities identified in the Columbia Basin Management Plan, reaching our largest number of active programs and initiatives at 65.

In spring 2017, the Trust began implementing a Shared Services Framework with Columbia Power Corporation, expanding its existing Shared Services Agreement with information technology to include accounting, corporate secretary and executive services, human resources, communications, information technology, office services and reception, payroll, procurement, records management and environment. In September 2017, ten former Columbia Power staff were hired under this agreement by the Trust to provide these services back to Columbia Power.

## Report on Performance

### *Goals, Strategies, Measures and Targets*

#### **Goal 1: Investment Program.**

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

#### **Strategies**

- Communicate directly with financial partners throughout the Basin to originate high-quality investment opportunities.
- Develop strong working relationships with the management of companies in which the Trust has invested to fully understand risk as well as uncover future opportunity.
- Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
- Remain engaged with Columbia Power Corporation and Fortis Inc. during the transition from construction to operation at the Waneta Expansion Project. Continue to work closely with partners during the operating phases of all power projects.

#### **Performance Measure 1.1: Return on Power Projects.**

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.1 Return on Power Projects (calculated as a cash-base return on investment)	11.9%	11.3%	10%	11.7%	10%	10%

**Data Source:** Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

#### **Discussion**

For Power Projects, the structure of investments—as defined by various agreements between the Province, Columbia Power Corporation, Fortis Inc. and the Trust—is challenging to reconcile against those commonly observed in the private market. It is difficult to compare the performance of Power Projects against other hydroelectric facilities as they operate under long-term power sales agreements which may not reflect current market pricing.

The Trust's targeted returns on Power Projects are based on historical performance and forecasted returns over the next five years, which are functions of contracted power sale prices, anticipated plant availability and forecasted expenses. Returns for Power Projects are calculated using a cash-based return on investment methodology.

In 2017/18, returns on Power Projects exceeded the ten per cent target. The projects continued to operate well, with minimal unplanned outages, and operating costs on budget. Ongoing investment



in maintenance and reliability activities provides a level of comfort that this will remain the case well into the future.

### Performance Measure 1.2: Return on Private Placements.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.2 Return on Private Placements (calculated as a cash-based return on investment)	5.6%	5.7% <sup>1</sup>	6%	5.3%	6%	6%

**Data Source:** Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

<sup>1</sup> The 2016/17 value was erroneously recorded as 5.6 in the September 2017 Service Plan. This was corrected to 5.7 in the February 2018 Service Plan.

### Discussion

For Private Placements, the Trust is limited to investing in a relatively small geographic region. With the exception of a few larger credit unions (too small a sample size to establish performance benchmarks), there are no reasonable market comparables from which the Trust can benchmark a performance measure. As with Performance Measure 1.1, this performance measure was developed by evaluating historical performance as well as market conditions anticipated in the next five years. The Trust continues to follow a cash-based return on investment methodology.

In 2017/18, returns on Private Placements were below the target of six per cent, partially due to increasing maintenance expenses in real estate, an extraordinary expense related to a debt investment, and continued low-rate environment. Investments in Basin-based businesses continue to grow at a steady pace, with demand for Trust support robust and diversified throughout the region. The Trust is looking to pursue opportunities to expand real estate investments which it anticipates will have a positive impact on future performance of this portfolio.

### Performance Measure 1.3: Return on Market Securities.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
1.3 Return on Market Securities	(1.7)%	11.8%	6%	4.3%	6%	6%

**Data Source:** Returns are calculated by BC Investment Management Corporation in accordance with Global Investment Performance Standards.

### Discussion

To determine the Market Securities target, forecasted returns of similarly constructed securities portfolios are considered, as well as historical returns observed in the general marketplace. BC Investment Management Corporation provided information in support of this objective.

In 2017/18, returns on Market Securities were below the long-term six per cent target; however, still slightly outperformed the portfolio benchmark return of 4.1 per cent. It is critical to note that forecasting financial market returns (particularly in the short-term) is challenging, and it is possible the realized returns in the current fiscal year will be materially higher or lower than the six per cent target. Notwithstanding this inherent challenge in predicting returns, the Trust continues to believe that the six per cent long-term target is appropriate.

## Goal 2: Delivery of Benefits.

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities.

### Strategies

- Maintain strong relationships in communities to ensure awareness of Trust roles and uphold our knowledge of current needs and opportunities.
- Develop timely solutions that meet community needs.
- Advance the strategic priorities outlined in the Columbia Basin Management Plan through appropriate partnerships and supports.
- Generate understanding of the Trust’s contribution to strengthening community well-being.

### Performance Measures 2.1 and 2.2: Assessment by Basin Residents and Trust Partners of the Trust’s Effectiveness.

Performance Measures	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
2.1 Per cent of residents perceiving the Trust’s impact as positive	N/A	81%	N/A	N/A	Over 70% <sup>1</sup>	N/A
2.2 Per cent of partners perceiving Trust’s impact as positive	N/A	96%	N/A	N/A	Over 90% <sup>2</sup>	N/A

**Data Source:** The Trust engaged Ipsos Reid to conduct these surveys. The results for these measures represent the percentage of those surveyed who are familiar with the Trust and agree that the Trust is making a positive difference in their community. Assessment of the targets takes place internally every two years (which is why every other year does not have targets).

<sup>1</sup>The target for residents’ perceptions was increased from “over 70%” to 75% in the February 2018 Service Plan to reflect the stable and increasing results of this measurement.

<sup>2</sup>The target for partners’ perceptions was changed from “over 90%” to 90% in the February 2018 Service Plan.

### Discussion

As the Trust is accountable to Basin residents, and as the organization ultimately supports efforts of residents and the well-being of the region, the Trust is measuring whether Basin residents feel the organization is making a positive difference and how these perceptions change over time. The Trust is

also measuring similar perceptions of our partners who deliver many of our programs and initiatives to residents.

This gives meaningful feedback on whether key stakeholders feel the Trust is progressing with its mission, and provides an indication of its impact and overall effectiveness. Trust staff also continually engage directly with key stakeholders to monitor perceptions and ensure that relevant Basin needs are effectively addressed.

As the survey is conducted every two years, there are no results for 2017/18.

The Trust has 13 strategic priorities in place until 2020 including affordable housing, agriculture, arts, culture and heritage, broadband, community priorities, early childhood and childhood development, economic development, environment, First Nations relationships, land acquisition, non-profit support, recreation and physical activity and renewable and alternative energy.

Under the February 2018 Service Plan, the Trust introduced a spectrum of specific short-term measures to complement the broad measurement offered by the biennial surveys (noted above). The new measures align with key areas of our mandate – social, economic and environment – as well as the current Columbia Basin Management Plan strategic priorities, and viewed together represent a snapshot of our work and impact in Delivery of Benefits. Examples of these include:

- the number of new affordable housing units funded;
- the number of built heritage assets preserved;
- the number of new childcare spaces funded; and
- the area (m<sup>2</sup>) of terrestrial habitat improved.

### **Goal 3: Corporate Operations.**

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

#### **Strategies**

- Actively monitor and manage key organizational risks.
- Continually review business practices and support structures for efficiencies.
- Ensure effective flow of knowledge, learning and communications.
- Instill and continuously reinforce fiscal responsibility.
- Nurture a progressive culture and workforce to adapt to changing organizational and community needs.
- Maintain a supportive, rewarding and inspiring environment to drive organizational success.

## Performance Measure 3.1 and 3.2: Maturity of Planning and Risk Management Practices.

Performance Measures	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.1 Maturity of Planning Practices <sup>1</sup>	3.5	4	4	4	4	4
3.2 Maturity of Risk Management Practices <sup>2</sup>	3.5	4	4	4	4	4

**Data Source:** The Trust's Executive Management Committee assesses performance against four levels of criteria that were developed by third-party consultants. Results and targets are assessed internally by executive management on a scale of 1 to 4. Scales are defined for each measure where 1 means there are no high-level plans in place or corporate risks identified and 4 reflects a fully mature state, meaning that associated plans and documents are in place and are being acted upon and updated accordingly. <sup>1-2</sup> The Trust has stopped using these performance measures in the 2018/19 – 2020/21 Service Plan as targets were achieved and the organization will continue to maintain these areas.

### Discussion

In 2017/18, the Trust met its target of 4 in its Maturity of Planning Practices with the continued development and advancement of plans to support the implementation of the Trust's 13 strategic priorities, as well as an emphasis on developing performance measurement frameworks to track progress in all strategic areas.

The Trust also met its target of 4 in Maturity of Risk Management Practices as we are regularly identifying, monitoring and updating corporate risks at both the organization and department levels.

Both performance measures will cease to be used as targets have been achieved and the Trust will continue to maintain in these areas.

## Performance Measure 3.3: Budget Variance for Corporate Operations.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.3 Budget Variance for Corporate Operations <sup>1</sup>	(5.6)%	(8.1)%	Under 5%	(5.4)%	Under 5%	Under 5%

**Data Source:** The data is calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

<sup>1</sup> The Trust has replaced this performance measure for 2018/19 – 2020/21 Service Plan with the more meaningful Ratio of Regional Reinvestment measure (below).

### Discussion

In 2017/18, the Trust was under budget by 5.4 percent which is primarily due to the Trust not proceeding with planned staffing additions.

**Performance Measure 3.4: Ratio of Regional Investment.**

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
3.4 Ratio of Regional Investment	84%	70%	80-90%	85%	80-90%	80-90%

**Data Source:** The data is calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

**Discussion**

The Trust began using a new performance measure called Ratio of Regional Investment as a way to capture what the Trust has distributed back into the region annually through our two core functions, Delivery of Benefits and Investments, as a percentage of revenue. Upon reviewing historical performance, the target was set at 80-90 per cent to ensure that a significant portion of the Trust’s annual earnings are re-invested back into the region. In 2017/18, the Trust achieved its target with 85 per cent.

## **Financial Report**

### ***Discussion of Results***

#### **Highlights**

The Trust recorded another strong year of revenues totaling \$63.9 million, with revenues from Power Projects and Market Securities exceeding budgeted expectations. The Trust also exceeded targets for funding to Delivery of Benefits initiatives, with \$51.7 million in commitments recorded. This includes over \$49 million in grants and \$2.7 million in capital investments in the region. Trust administration expenses were stable and under budget at \$6.8 million.

#### **Variance and Trend Analysis**

Revenues from Power Projects were \$1.4 million above budget due to all projects performing well with few unplanned outages. Higher reliability combined with lower operating costs increased dividend distributions from our investment in the Waneta Expansion by \$825,000. Grant revenues within the Columbia Basin Broadband Corporation are recorded in conjunction with completion of a federal program and due to a delay in the completion of this project, the budgeted grant revenues associated with it were not realized and will instead be recorded in the upcoming fiscal year.

The Trust exceeded targets for funding to Delivery of Benefits initiatives by over \$11 million, with over \$49 million in commitments (gross of rescinds and refunds) recorded. In Community Initiatives, the variance is partially due to a new partnership with BC Housing and a strong response to a call for housing projects which resulted in the Trust committing an additional \$13 million to fund ten affordable housing projects for the creation of 167 units in the Basin, funding that was anticipated to be committed in future years. Other programs that were budgeted for in future years and were expensed in 2017/18 included the Community Initiatives and Affected Areas Programs for \$4.7 million and Recreation Infrastructure Grants for \$2.8 million. Under Economic Initiatives, the variance can be attributed to the Trust's \$2.5-million commitment to two wage subsidy programs, School Works and Summer Works, delivered by the College of the Rockies over three years.

Administration expenses were \$391,000 under budget in 2017/18, with the majority of these savings occurring within staff remuneration and development. With the implementation of the Shared Services Initiative in September 2017, the Trust did not move forward with planned staffing additions, as staff from Columbia Power were utilized within Trust operations allowing for efficiencies in staffing levels. The costs attributable to the Shared Services Initiative are set out as Power Administration Expenses and Recoveries in the Financial Resource Summary Table.

#### ***Risks and Uncertainties***

Approximately 85 per cent of the Trust's revenues came from its investments in Power Projects, which performed well. In the Private Placements portfolio, while revenues from Real Estate Investments were on target, revenues from Commercial Loans were lower than forecasted due to lower demand and greater supply of capital within our region.

**Financial Resource Summary Table**

\$ thousands	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 <sup>1</sup> Budget	2017/18 Actual	2017/18 Variance
<b>Revenues</b>						
Power Projects	\$ 22,514	\$ 34,954	\$ 40,770	\$ 39,747	\$ 41,190	\$ 1,443
Waneta Expansion	-	5,693	10,230	11,715	12,540	825
Market Securities	2,558	2,099	1,938	1,200	3,333	2,133
Private Placement: Commercial Loans	1,528	1,722	1,838	2,250	1,875	(375)
Private Placement: Real Estate Investments	1,069	1,262	1,364	1,512	1,412	(100)
Short-term Investments	946	745	738	800	976	176
Broadband Operations	405	449	738	665	789	124
Other Revenues	516	1,360	570	410	659	249
Power Project Recoveries	-	-	-	-	592	592
Grant Revenues	-	412	1,185	2,651	503	(2,148)
<b>Total Revenue</b>	<b>\$ 29,536</b>	<b>\$ 48,696</b>	<b>\$ 59,371</b>	<b>\$ 60,950</b>	<b>\$ 63,869</b>	<b>\$ 2,919</b>
<b>Expenses</b>						
<b>Delivery of Benefits</b>						
Broadband Initiatives <sup>2</sup>	\$ 1,563	\$ 5,096	\$ 2,937	\$ 3,975	\$ 2,513	\$ (1,462)
Community Initiatives	6,866	17,694	21,020	10,426	32,225	21,801 <sup>4</sup>
Economic Initiatives <sup>3</sup>	5,074	1,347	1,685	2,169	4,848	2,679
Other Initiatives	677	416	2,336	1,725	2,031	306
Social Initiatives	2,606	1,328	2,661	2,950	2,953	3
Water and Environment Initiatives	3,428	4,941	2,788	3,070	3,097	27
Youth Initiatives	1,166	720	4,035	850	487	(363)
Programs Under Development	-	-	-	11,655	-	(11,655) <sup>5</sup>
<b>Total Delivery of Benefits</b>	<b>\$ 21,380</b>	<b>\$ 31,542</b>	<b>\$ 37,462</b>	<b>\$ 36,820</b>	<b>\$ 48,154</b>	<b>\$ 11,335</b>
<b>Trust Administration</b>						
Amortization	427	389	509	436	466	30
Board and Committee	174	132	147	200	171	(29)
Communications	164	172	196	190	204	14
Corporate Travel and Meetings	239	192	221	254	209	(45)
Information Technology	119	193	225	203	149	(54)
Office and General	577	667	620	658	742	83
Professional Fees	429	260	184	445	356	(89)
Staff Remuneration and Development	3,978	4,242	4,387	4,796	4,494	(302)
<b>Total Trust Administration</b>	<b>6,107</b>	<b>6,247</b>	<b>6,489</b>	<b>7,182</b>	<b>6,791</b>	<b>(391)</b>
<b>Other Expenses</b>						
Power Project Administration	-	-	-	-	592	592
<b>Total Other Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>592</b>	<b>592</b>
<b>Total Expenses</b>	<b>\$ 27,487</b>	<b>\$ 37,789</b>	<b>\$ 43,951</b>	<b>\$ 44,002</b>	<b>\$ 55,537</b>	<b>\$ 11,535</b>
<b>Private Placements: Impairment Loss</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annual Surplus</b>	<b>1,424</b>	<b>10,907</b>	<b>15,420</b>	<b>16,948</b>	<b>8,332</b>	<b>(8,616)</b>
<b>Delivery of Benefits Capital Investments</b>	<b>1,369</b>	<b>1,097</b>	<b>3,061</b>	<b>7,680</b>	<b>2,647</b>	<b>(5,030)<sup>6</sup></b>
<b>Total Debt</b>	<b>1,000</b>	<b>925</b>	<b>3,695</b>	<b>3,958</b>	<b>3,958</b>	<b>-</b>
<b>Accumulated Surplus</b>	<b>\$ 419,130</b>	<b>\$ 426,780</b>	<b>\$ 446,373</b>	<b>\$ 459,855</b>	<b>\$ 453,853</b>	<b>(5,902)</b>

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

<sup>1</sup> The 2017/18 Budget included in this table was approved by the Trust Board of Directors in November 2016. The forecast included in the 2017/18–2019/20 Service Plan in the Trust's financial outlook table was derived from the Treasury Board Submission of January 2017, which included the most recent forecasts at that time.

<sup>2</sup> Broadband Initiatives includes direct CBBC costs, as well as other broadband initiatives funded directly by both CBBC and the Trust for the benefit of the Basin.

<sup>3</sup> Economic Initiatives includes direct CBDC costs, as well as other economic initiatives funded directly by both CBDC and the Trust for the benefit of the Basin.

<sup>4</sup> Community Initiatives includes additional commitments for housing and other community initiatives that were budgeted in future years.

<sup>5</sup> Programs Under Development budget is allocated for new programs and initiatives under development and expensed under appropriate category once committed.

<sup>6</sup> Delivery of Benefits Capital Investments budgeted funds were used in the form of grants and expensed under Community and Economic Initiatives.

***Consolidated Financial Statements***

AS AT MARCH 31, 2018

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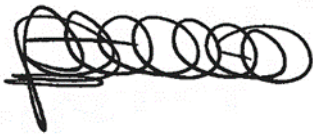
## **RESPONSIBILITY FOR FINANCIAL REPORTING**

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The consolidated financial statements have been prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and include amounts that are based on estimates and judgements. Management believes that the consolidated financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The consolidated financial statements have been approved by the Trust's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of consolidated financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, KPMG, Chartered Professional Accountants, have been appointed by the Trust's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the consolidated financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



Johnny Strilaeff  
President & CEO



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## INDEPENDENT AUDITORS' REPORT

To the Directors of Columbia Basin Trust, and  
To the Ministry of Children and Family Development:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, remeasurement gains and losses, change in accumulated surplus, change in net financial 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 Consolidated Financial Statements*

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of Columbia Basin Trust as at March 31, 2018 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Chartered Professional Accountants

May 25, 2018  
Burnaby, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(in thousands)*

<b>AS AT MARCH 31</b>	<b>2018</b>	<b>2017</b>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 8,678	\$ 5,185
Accrued interest and other accounts receivable (Note 4)	2,075	1,645
Short-term investments (Note 5)	56,652	48,101
Market securities (Note 6)	60,278	57,796
Loans receivable (Note 7)	994	534
Private placements - commercial loans (Note 8)	36,201	37,365
Private placements - commercial investment (Note 9)	2,375	2,375
Private placements - real estate investments (Note 10)	5,882	5,980
Investment in Waneta Expansion Limited Partnership (Note 11)	109,284	109,284
Investment in power projects (Note 12)	218,717	212,777
	<u>501,136</u>	<u>481,042</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	871	835
Long-term debt (Note 13)	3,958	3,695
Deferred contributions (Note 14)	2,325	1,911
Delivery of Benefits initiatives liabilities (Note 15)	53,675	40,512
	<u>60,829</u>	<u>46,953</u>
Net Financial Assets	440,307	434,089
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	296	242
Tangible capital assets (Note 16):		
Tangible capital assets - Corporate	2,394	2,701
Tangible capital assets - Delivery of Benefits	6,969	5,433
Tangible capital assets - Investments	3,887	3,908
Total tangible capital assets	<u>13,250</u>	<u>12,042</u>
	<u>13,546</u>	<u>12,284</u>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 453,853</b>	<b>\$ 446,373</b>
Accumulated Surplus is comprised of:		
Accumulated Surplus	\$ 447,396	\$ 439,064
Accumulated Remeasurement Gain	6,457	7,309
	<u>\$ 453,853</u>	<u>\$ 446,373</u>

**COMMITMENTS** (Note 21)

Approved on behalf of the Board of Directors:


Rick Jensen  
Chair

Amed Naqvi  
Chair, Finance and Audit Committee

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

**COLUMBIA BASIN TRUST  
CONSOLIDATED STATEMENT OF OPERATIONS**

(in thousands)

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>Budget (Note 25)</b>	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>			
Power projects (Note 12)	\$ 39,747	\$ 41,190	\$ 40,770
Waneta expansion (Note 11)	11,715	12,540	10,230
Market securities	1,200	3,333	1,938
Private placements - commercial loans	2,250	1,875	1,838
Private placements - real estate investments (Note 10)	1,512	1,412	1,364
Short-term investments	800	976	738
Broadband operations	665	789	738
Other revenues (Note 17)	410	659	570
Power project recoveries (Note 18)	-	592	-
Grant revenues (Note 19)	2,651	503	1,185
	60,950	63,869	59,371
<b>EXPENSES (Note 20)</b>			
Broadband initiatives	3,975	2,513	2,937
Community initiatives	12,713	34,389	23,114
Economic initiatives	2,974	5,609	2,462
Investment initiatives	854	808	856
Other initiatives	15,238	3,787	3,919
Power project administration (Note 18)	-	592	-
Social initiatives	3,566	3,535	3,111
Water and environment initiatives	3,607	3,605	3,267
Youth initiatives	1,075	699	4,285
	44,002	55,537	43,951
<b>ANNUAL SURPLUS</b>	<b>\$ 16,948</b>	<b>\$ 8,332</b>	<b>\$ 15,420</b>

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
*(in thousands)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2018</b>	<b>2017</b>
Accumulated remeasurement gains, beginning of year	\$ 7,309	\$ 3,136
Unrealized gains on market securities	1,262	4,886
Less realized gains reclassified to the Statement of Operations	(2,114)	(713)
Net remeasurement gains (losses) for the year	(852)	4,173
<b>ACCUMULATED REMEASUREMENT GAINS, end of year (Note 6)</b>	<b>\$ 6,457</b>	<b>\$ 7,309</b>

**CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS**  
*(in thousands)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2018</b>	<b>2017</b>
Accumulated surplus, beginning of year	\$ 439,064	\$ 423,644
Annual surplus	8,332	15,420
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 447,396</b>	<b>\$ 439,064</b>

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
*(in thousands)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>Budget (Note 25)</b>	<b>2018</b>	<b>2017</b>
<b>ANNUAL SURPLUS</b>	\$ 16,948	\$ 8,332	\$ 15,420
Acquisition of prepaid expenses	-	(296)	(242)
Use of prepaid expenses	-	242	156
Acquisition of tangible capital assets	-	(2,328)	(5,202)
Amortization of tangible capital assets	370	1,120	997
	370	(1,262)	(4,291)
Effect of remeasurement gains (losses)	-	(852)	4,173
Change in Net Financial Assets	17,318	6,218	15,302
NET FINANCIAL ASSETS, beginning of year	434,089	434,089	418,787
<b>NET FINANCIAL ASSETS, end of year</b>	\$ 451,407	\$ 440,307	\$ 434,089

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(in thousands)*

<b>FOR THE YEAR ENDED MARCH 31</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM (APPLIED TO) OPERATING ACTIVITIES</b>		
Cash received from private placements - commercial loans	\$ 1,736	\$ 1,738
Cash received from other loans	56	-
Cash received from broadband operations	1,813	2,416
Cash received from short-term investments	979	731
Cash received from market securities	3,333	1,938
Cash received from tenants	599	506
Cash paid for operating expenses	(6,015)	(7,322)
Cash paid for Delivery of Benefits obligations	(34,991)	(26,460)
	<u>(32,490)</u>	<u>(26,453)</u>
<b>CASH FLOWS FROM (APPLIED TO) INVESTING ACTIVITIES</b>		
Purchase of short-term investments and market securities	(210,692)	(139,073)
Redemption of short-term investments and market securities	198,809	125,032
Issuance of commercial loans	(2,819)	(11,857)
Repayment of commercial loans	3,990	14,078
Issuance of other loans	(539)	(578)
Repayment of other loans	28	16
Dividends received from real estate investments	1,510	1,484
Dividends received from Waneta Expansion	12,540	10,230
Dividends received from power projects investments	35,250	31,700
	<u>38,077</u>	<u>31,032</u>
<b>CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	(2,328)	(5,202)
<b>CASH FLOWS FROM (APPLIED TO) FINANCING ACTIVITIES</b>		
Advances to Brilliant Power	-	700
Repayment of debt	(62)	(63)
Advances from Community Foundations	557	2,802
Repayment of Community Foundations	(261)	-
	<u>234</u>	<u>3,439</u>
<b>INCREASE IN CASH</b>	<b>3,493</b>	<b>2,816</b>
<b>CASH, beginning of year</b>	<b>5,185</b>	<b>2,369</b>
<b>CASH, end of year</b>	<b>\$ 8,678</b>	<b>\$ 5,185</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (the Trust) is a corporation established by the *Columbia Basin Trust Act*. The purpose of the Trust is to manage its assets for the ongoing economic, social and environmental well-being of the Columbia Basin (Basin) region. The sole share of the Trust is held by the Minister of Finance on behalf of the Province of BC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Trust are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Trust are as follows:

#### (a) Basis of accounting

The consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (Section 23.1) supplemented by Regulations 257/2010 and 198/2011 (Regulations) issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for public sector organizations in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- i. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for over the fiscal periods during which the tangible capital asset is used to provide services.
- ii. Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- i. government transfers that do not contain a stipulation that creates a liability be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

*(Tabular amounts in thousands)*

### 2 (a) Basis of accounting (continued)

- ii. externally restricted contributions be recognized as revenue in the period in which the stipulations are met.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

### (b) Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of all organizations controlled or jointly controlled by the Trust. Government business partnerships (GBP) are accounted for using the modified equity method. Other government organizations (OGO) and government partnerships (GP) are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated for OGO's and GP's.

Under the modified equity method, only the Trust's percentage investment in the GBP, and the net income and other changes in equity are recorded. No adjustment is made for accounting policies that are different from those of the Trust and inter-entity transactions and balances are not eliminated.

The trust consolidates its wholly owned and controlled subsidiaries Columbia Basin Broadband Corporation (CBBC) and Columbia Basin Development Corporation (CBDC).

The Trust's government business partnerships with interest in power projects consist of the following entities:

- Arrow Lakes Power Corporation (ALPC) – 50% interest
- Brilliant Power Corporation (BPC) – 50% interest
- Brilliant Expansion Power Corporation (BEPC) – 50% interest
- Waneta Expansion Power Corporation (WEPC) – 42% interest

The Trust's government business partnerships with interest in real estate consist of the following entities:

- Castle Wood Village – 50% interest
- Columbia Village – 50% interest
- Crest View Village – 50% interest
- Garden View Village – 50% interest
- Joseph Creek Village – 50% interest
- Lake View Village – 50% interest
- Mountain Side Village – 50% interest
- Rocky Mountain Village – 50% interest

### (c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the construction of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 2 (c) Tangible capital assets and amortization (continued)

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

	<u>Years</u>
Buildings	25 - 35
Leasehold improvements	5 - 8
Office furniture and equipment	5
Hardware and software	3 - 7
Broadband hardware	3 - 15
Fibre optics	25

Tangible capital assets are written down to their residual value when conditions indicate they no longer contribute to the Trust's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

### (d) Revenue recognition

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

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- i. Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for over the fiscal period during which the tangible capital asset is used to provide services.
- ii. Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

Contributions are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

### (e) Expenses

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 2 (e) Expenses (continued)

Expenses are classified by function on the statement of operations. The Trust allocates administration costs by identifying an appropriate basis of allocating and applying that basis consistently each year.

Government transfers are recognized in the consolidated financial statements in the period in which the amounts of the transfers are authorized and any eligibility criteria have been met by the recipient.

### (f) Taxes

The Trust and its wholly owned subsidiaries are exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. The Trust is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

### (g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

### (h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. The Trust measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of 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.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 2 (h) Financial instruments (continued)

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The Trust has designated its financial instruments as follows:

i. **Cash**

Cash includes cash in the bank and is measured at fair value. The Trust presents its Statement of Cash Flows using the direct method.

ii. **Short-term investments**

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

iii. **Market securities**

Equity and debt investments quoted in an active market are reported at fair value. The Trust invests in long-term investments through pooled fund products managed by the British Columbia Investment Management Corporation, a corporation established under the *Public Sector Pension Plans Act*. The Trust has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

iv. **Private placements and loans receivable**

Investments in commercial loans or loans receivable are recorded at amortized cost less any amount for impairments. Impairment losses are recorded to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Impairments are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Commercial investments that have an equity interest are accounted for as portfolio investments and are measured at cost, less any amounts written off to reflect a permanent decline in value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

*(Tabular amounts in thousands)*

### 2 (h) Financial instruments (continued)

#### v. Investment in Waneta Expansion Limited Partnership

The Trust accounts for its investment in Waneta Expansion Limited Partnership (WELP) as a portfolio investment and it is measured on a cost basis.

#### vi. Debt and other financial assets and financial liabilities

Debt, accrued interest and other assets, and accounts payable and accrued liabilities are measured and recorded at amortized cost using the effective interest rate method.

#### (i) Employee future benefits

The Trust and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, the Trust's contributions are expensed as paid. Non-vesting sick leave benefits accrue to the Trust's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The liability related to these benefits was actuarially determined based on length of service, best estimate of retirement ages and expected future salary and wage increases. The liability is accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits. The Trust estimated and determined its obligation for short-term disability benefits to be immaterial to recognize.

#### (j) Measurement uncertainty

The preparation of these consolidated 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 consolidated financial statements and the reported amounts of the revenues and expenses during the period. Significant estimates include assumptions used for recording specific impairments and general loan loss provisions on commercial loans and loans receivable and for identifying any impairment on its commercial investment.

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

#### (k) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Trust is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 3. COMPARATIVE FIGURES

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

### 4. ACCRUED INTEREST AND OTHER ACCOUNTS RECEIVABLE

Accrued interest and other accounts receivable consist of accrued interest on short-term investments, receivables and recoveries for management and information technology services.

### 5. SHORT-TERM INVESTMENTS

Short-term investments consist of a portfolio of short-term deposits held at financial institutions.

### 6. MARKET SECURITIES

The Trust has a diversified securities portfolio that includes short-term deposits, bond and equity pooled funds, which are managed by the British Columbia Investment Management Corporation.

The Trust's investment in market securities measured at fair value is as follows:

	Fair value hierarchy level	2018	2017
Market value	1	\$ 60,278	\$ 57,796
Cost		53,821	50,487
Accumulated remeasurement gains		\$ 6,457	\$ 7,309

During fiscal year 2018, the Trust recognized realized gains on market securities of \$2.1 million (2017 - \$713,000).

### 7. LOANS RECEIVABLE

The Trust provides funding through the Impact Investment Program to businesses challenged with obtaining financing from other sources. These loans are generally secured by assets and personal guarantees and bear interest from 6.45% to 7.75% and currently have terms extending no further than 20 years.

### 8. PRIVATE PLACEMENTS – COMMERCIAL LOANS

The Trust provides commercial loans that are generally secured by real estate and currently have terms extending no further than 25 years. Commercial loans are as follows:

	2018	2017
Commercial loans bearing interest from 3.85 % to 7.5 %	\$ 36,456	\$ 37,628
Less: general impairment loss	(255)	(263)
	\$ 36,201	\$ 37,365

### 9. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment in a private company is accounted for as a portfolio investment and measured at cost, net of impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 10. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

The Trust's real estate investments are comprised of 50% ownership interests in real estate investments throughout the Basin consisting of eight seniors housing facilities (see listing of joint ventures in Note 2 (b)). These investments are accounted for as investments in GBP's using the modified equity basis of accounting.

Condensed supplementary financial information for private placements – real estate investments is as follows:

#### (a) Financial position (at 50%):

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2018</b>							
Castle Wood Village	\$ 345	\$ 3,598	\$ 3,943	\$ 161	\$ 3,207	\$ 3,368	\$ 575
Columbia Village	110	4,880	4,990	215	4,356	4,571	419
Crest View Village	258	3,997	4,255	236	3,492	3,728	527
Garden View Village	71	2,979	3,050	132	2,357	2,489	561
Joseph Creek Village	133	8,554	8,687	385	6,794	7,179	1,508
Lake View Village	192	5,157	5,349	204	3,953	4,157	1,192
Mountain Side Village	64	2,692	2,756	110	2,117	2,227	529
Rocky Mountain Village	139	2,718	2,857	146	2,140	2,286	571
	\$ 1,312	\$ 34,575	\$ 35,887	\$ 1,589	\$ 28,416	\$ 30,005	\$ 5,882
<b>March 31, 2017</b>							
Castle Wood Village	\$ 279	\$ 3,796	\$ 4,075	\$ 155	\$ 3,357	\$ 3,512	\$ 563
Columbia Village	90	5,103	5,193	200	4,561	4,761	432
Crest View Village	270	4,187	4,457	230	3,717	3,947	510
Garden View Village	73	3,126	3,199	127	2,480	2,607	592
Joseph Creek Village	129	8,985	9,114	372	7,154	7,526	1,588
Lake View Village	176	5,366	5,542	198	4,164	4,362	1,180
Mountain Side Village	72	2,803	2,875	106	2,220	2,326	549
Rocky Mountain Village	130	2,858	2,988	140	2,282	2,422	566
	\$ 1,219	\$ 36,224	\$ 37,443	\$ 1,528	\$ 29,935	\$ 31,463	\$ 5,980

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended March 31, 2018

(Tabular amounts in thousands)

**10. PRIVATE PLACEMENTS - REAL ESTATE INVESTMENTS (continued)**

**(b) Results of operations (at 50%):**

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2018</b>						
Castle Wood Village	\$ 525	\$ 128	\$ -	\$ 199	\$ 327	198
Columbia Village	528	172	2	225	399	129
Crest View Village	559	125	13	213	351	208
Garden View Village	361	113	9	146	268	93
Joseph Creek Village	1,095	292	29	432	753	342
Lake View Village	545	129	-	208	337	208
Mountain Side Village	311	87	2	126	215	96
Rocky Mountain Village	374	93	2	141	236	138
	\$ 4,298	\$ 1,139	\$ 57	\$ 1,690	\$ 2,886	1,412

**March 31, 2017**

Castle Wood Village	\$ 525	\$ 133	\$ 3	\$ 199	\$ 335	190
Columbia Village	528	186	3	228	417	111
Crest View Village	559	141	3	211	355	204
Garden View Village	362	117	2	146	265	97
Joseph Creek Village	1,094	305	16	432	753	341
Lake View Village	546	135	-	208	343	203
Mountain Side Village	310	90	7	126	223	87
Rocky Mountain Village	374	98	4	141	243	131
	\$ 4,298	\$ 1,205	\$ 38	\$ 1,691	\$ 2,934	1,364

**(c) Investment in private placements – real estate (at 50%):**

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
<b>March 31, 2018</b>									
Opening balance	\$ 563	\$ 432	\$ 510	\$ 592	\$ 1,588	\$ 1,180	\$ 549	\$ 566	\$ 5,980
Dividends paid	(186)	(142)	(191)	(124)	(422)	(196)	(116)	(133)	(1,510)
Surplus	198	129	208	93	342	208	96	138	1,412
	\$ 575	\$ 419	\$ 527	\$ 561	\$ 1,508	\$ 1,192	\$ 529	\$ 571	\$ 5,882
<b>March 31, 2017</b>									
Opening balance	\$ 545	\$ 463	\$ 496	\$ 607	\$ 1,669	\$ 1,173	\$ 578	\$ 570	\$ 6,101
Dividends paid	(172)	(142)	(190)	(112)	(422)	(196)	(116)	(135)	(1,485)
Surplus	190	111	204	97	341	203	87	131	1,364
	\$ 563	\$ 432	\$ 510	\$ 592	\$ 1,588	\$ 1,180	\$ 549	\$ 566	\$ 5,980



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 10. PRIVATE PLACEMENTS - REAL ESTATE INVESTMENTS (continued)

#### (d) Non-current assets:

The Trust's investment in real estate, comprised of seniors housing facilities, is as follows (at 50%):

		Land	Building and Equipment		2018	2017		
Operating facilities	\$	2,728	\$	49,246	\$	51,974	\$	51,937
Less: accumulated amortization		-		(17,399)		(17,399)		(15,713)
	\$	2,728	\$	31,847	\$	34,575	\$	36,224

#### (e) Current and non-current liabilities:

##### i. Long-term debt

Long-term debt consisting of mortgage loans are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 3.26% and 4.44% and will mature on different dates between July 2018 and April 2023. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

##### ii. Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the mortgage proceeds totaling \$29.7 million (fiscal 2017 - \$31.1 million).

#### (f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided Lake View Village, a seniors housing facility located in Nelson, BC, with a government grant to allow for subsidized suites. Under this agreement, Lake View Village received a forgivable loan in the amount of \$855,000 (the Trust's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, \$855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2018, the balance of the forgivable loan was \$855,000 (the Trust's share is 50%).

### 11. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

The Trust has an investment, recorded at cost, in the Waneta Expansion Limited Partnership (WELP). WELP is a partnership between the Trust, through a wholly owned subsidiary of the Trust, CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holdings Ltd. (32.5% interest), and Fortis Inc. (51% interest). WELP was formed to own and develop the Waneta Expansion Project which is a \$900-million hydroelectric development located downstream from the Waneta Dam in Trail, BC. Construction of this 335-megawatt facility commenced October 1, 2010, and was substantially completed on April 2, 2015. The Trust's total investment in the Waneta Expansion Project is \$109.3 million (fiscal 2017 - \$109.3 million).

The Trust received distributions in the amount of \$12.5 million in fiscal 2018 (fiscal 2017 - \$10.2 million) from its investment in the Waneta Expansion Limited Partnership.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

*(Tabular amounts in thousands)*

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### 12. INVESTMENT IN POWER PROJECTS

The Trust's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power, a party related through common control by the Province. These investments are accounted for as GBP's.

#### (a) Arrow Lakes Power Corporation

The Trust's wholly owned subsidiary, CBT Arrow Lakes Power Development Corp., has a 50% ownership interest in Arrow Lakes Power Corporation (ALPC). The purpose of ALPC is to operate the 185-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation and sell power generated from this facility.

#### (b) Brilliant Power Corporation

The Trust's wholly owned subsidiary, CBT Power Corp., has a 50% ownership interest in Brilliant Power Corporation (BPC). The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station assets. The Brilliant Power Facility and Brilliant Terminal Station are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, three kilometers upstream of the confluence with the Columbia River.

#### (c) Brilliant Expansion Power Corporation

The Trust's wholly owned subsidiary, CBT Brilliant Expansion Power Corp., has a 50% interest in Brilliant Expansion Power Corporation (BEPC). The purpose of BEPC is to operate Brilliant Expansion, a 120-megawatt power generation facility adjacent to the Brilliant Dam at Castlegar, BC, and sell power generated from this facility.

#### (d) Waneta Expansion Power Corporation

The Trust's wholly owned subsidiary, CBT Energy Inc., has a 42% interest in Waneta Expansion Power Corporation (WEPC). WEPC previously held legal title of assets related to the Waneta Expansion Project. In October 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to the Waneta Expansion Limited Partnership in exchange for a \$72-million non-interest bearing Promissory Note.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 12. INVESTMENT IN POWER PROJECTS (continued)

Condensed supplementary financial information for investment in these four power projects is as follows:

#### (e) Financial position:

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2018</b>									
ALPC - 50%	\$ 16,884	\$ 108,129	\$ -	\$ -	\$ 125,013	\$ 8,989	\$ 165,147	\$ 174,136	\$ (49,123)
BPC - 50%	9,407	-	159,475	6,433	175,315	6,768	43,669	50,437	124,878
BEPC - 50%	4,587	102,991	-	784	108,362	527	-	527	107,835
WEPC - 42%	8,400	-	-	26,727	35,127	-	-	-	35,127
	\$ 39,278	\$ 211,120	\$ 159,475	\$ 33,944	\$ 443,817	\$ 16,284	\$ 208,816	\$ 225,100	\$ 218,717

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2017</b>									
ALPC - 50%	\$ 17,308	\$ 110,451	\$ -	\$ -	\$ 127,759	\$ 8,759	\$ 168,755	\$ 177,514	\$ (49,755)
BPC - 50%	7,815	-	158,815	5,386	172,016	6,632	47,621	54,253	117,763
BEPC - 50%	5,923	105,304	-	776	112,003	595	-	595	111,408
WEPC - 42%	-	-	-	33,361	33,361	-	-	-	33,361
	\$ 31,046	\$ 215,755	\$ 158,815	\$ 39,523	\$ 445,139	\$ 15,986	\$ 216,376	\$ 232,362	\$ 212,777

#### (f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
<b>March 31, 2018</b>					
Opening balance	\$ (49,755)	\$ 117,763	\$ 111,408	\$ 33,361	\$ 212,777
Dividends paid	(15,900)	(5,000)	(14,350)	-	(35,250)
Surplus	16,532	12,115	10,777	1,766	41,190
	\$ (49,123)	\$ 124,878	\$ 107,835	\$ 35,127	\$ 218,717
<b>March 31, 2017</b>					
Opening balance	\$ (52,089)	\$ 111,307	\$ 112,795	\$ 31,694	\$ 203,707
Dividends paid	(13,250)	(5,250)	(13,200)	-	(31,700)
Surplus	15,584	11,706	11,813	1,667	40,770
	\$ (49,755)	\$ 117,763	\$ 111,408	\$ 33,361	\$ 212,777

#### (g) ALPC negative equity:

In fiscal 2012, ALPC issued \$350 million in Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the \$45.6 million owing on ALPC's Series A bonds, and the net proceeds of \$285.6 million were distributed by dividend to the shareholders. The dividend to the shareholders created a deficit in ALPC of \$56.1 million. ALPC ended fiscal 2012 with a deficit of \$60.3 million after incurring net losses of \$4.2 million that year. Total cumulative dividends of \$108.4 million and cumulative net surpluses of \$70.5 million since fiscal 2012 have increased the deficit in ALPC to \$98.2 million at the end of fiscal 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 12 (g) ALPC negative equity (continued)

As ALPC's negative equity position has been caused by the payment of dividends rather than by operating losses, the Trust continues to record its investment in ALPC as a long term financial asset that is recorded on a modified equity basis on the consolidated statement of financial position. The Trust's future share of ALPC's net income will reduce the negative equity balance and the Trust's future share of any additional dividends will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 27 years are expected to generate sufficient revenue and cash flow to fund on-going operations for the foreseeable future.

### (h) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2018</b>						
ALPC - 50%	\$ 34,130	\$ 9,451	\$ 5,525	\$ 2,622	\$ 17,598	\$ 16,532
BPC - 50%	22,348	3,943	6,257	33	10,233	12,115
BEPC - 50%	17,740	8	4,618	2,337	6,963	10,777
WEPC - 42%	1,766	-	-	-	-	1,766
	<u>\$ 75,984</u>	<u>\$ 13,402</u>	<u>\$ 16,400</u>	<u>\$ 4,992</u>	<u>\$ 34,794</u>	<u>\$ 41,190</u>
<b>March 31, 2017</b>						
ALPC - 50%	\$ 33,455	\$ 9,667	\$ 5,523	\$ 2,681	\$ 17,871	\$ 15,584
BPC - 50%	22,165	4,230	6,195	34	10,459	11,706
BEPC - 50%	18,506	8	4,174	2,511	6,693	11,813
WEPC - 42%	1,667	-	-	-	-	1,667
	<u>\$ 75,793</u>	<u>\$ 13,905</u>	<u>\$ 15,892</u>	<u>\$ 5,226</u>	<u>\$ 35,023</u>	<u>\$ 40,770</u>

### (i) Current assets - WEPC

WEPC has an agreement with WELP that specifies if the aggregate amount of the design-build costs of the Waneta Expansion Project are less than \$635.1 million, WELP will pay to WEPC the lesser of a) the amount by which the design-build cost are less than \$635.1 million or b) \$20 million. At March 31, 2016, management estimated that the expected value of the design-build costs will be \$603.5 million and therefore recorded a \$20 million receivable as other income with interest accreting until the receivable is recognized on June 1, 2018. As of March 31, 2018 there have been no changes to these valuations. The Trust's portion of this other income and receivable at the end of the fiscal was \$8.4 million (fiscal 2017 - \$8.2 million).

### (j) Other non-current assets - WEPC

WEPC has a non-interest bearing \$72 million Promissory Note Receivable from WELP and is due on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date occurred in 2015, thereby making the Promissory Note's repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of \$43 million (the Trust's portion was \$18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2018, the Trust's portion of the Promissory Note was \$26.7 million (fiscal 2017 - \$25.2 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 12. INVESTMENT IN POWER PROJECTS (continued)

#### (k) Non-current liabilities:

##### i. Long-term debt

ALPC has long-term debt that consists of Series “B” bonds due April 5, 2041. The Series “B” bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

BPC bonds are redeemable in whole or in part at any time before May 31, 2026, at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching-duration Government of Canada bond plus 0.30%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

Power project bonds are as follows (at 50%):

	Coupon Rate	Effective Rate	2018	2017
ALPC - Series B	5.52%	5.59%	\$ 168,812	\$ 172,225
BPC - Series A	8.93%	9.06%	27,067	29,109
BPC - Series B	6.86%	7.00%	7,547	8,179
BPC - Series C	5.67%	6.39%	13,112	14,242
			216,538	223,755
Current portion of bonds			(7,722)	(7,379)
			\$ 208,816	\$ 216,376

Bond amounts stated above are inclusive of financing costs of \$1.6 million (fiscal 2017 - \$1.7 million).

#### (l) Contingencies

The Trust’s operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations, as well as to maintain all material franchises. Under current regulations, the venturers are required to meet performance standards to minimize or mitigate the negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

### 13. LONG-TERM DEBT

The Trust has a term loan secured by a collateral mortgage over real estate. The Trust also accepts investment funds from various Community Foundations for investment purposes which are classified as loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 13. LONG-TERM DEBT (continued)

The debt shown on the consolidated statement of financial position is measured at amortized cost and is comprised of the following:

	2018	2017
Mortgage, interest rate 3.27% per annum, maturing November 1, 2022	\$ 859	\$ 893
Demand loan, interest rate 5.00% per annum, no specific repayment terms	3,099	2,802
	\$ 3,958	\$ 3,695

The total interest expense reported on the consolidated statement of operations is as follows:

	2018	2017
Mortgage, interest rate 3.27 % per annum, maturing November 1, 2022	\$ 29	\$ 30
Demand loan, interest rate 5.00% per annum, no specific repayment terms	154	112
	\$ 183	\$ 142

### 14. DEFERRED CONTRIBUTIONS

Deferred contributions and other revenue represent funding that has been received and relates to broadband projects scheduled to be completed in a subsequent year. Deferred contributions and other revenue are recognized in revenue in the year of project completion.

Deferred capital contributions represent the unamortized amount of grants received from various entities for the purchase of broadband tangible capital assets. Deferred capital contributions are recognized in revenue at the same rate that amortization of the tangible capital asset is recorded.

Deferred contributions at March 31 are as follows:

	2018	2017
Deferred contributions and other revenue	\$ 1,144	\$ 1,191
Deferred capital contributions	1,181	720
	\$ 2,325	\$ 1,911

### 15. DELIVERY OF BENEFITS INITIATIVES

Delivery of Benefits initiatives refers to activities that the Trust undertakes in the region as it seeks to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Basin.

	2018	2017
Liabilities, beginning of year	\$ 40,512	\$ 31,456
Funds authorized during the year	49,057	36,940
Funds recovered/rescinded	(903)	(1,424)
Funds paid during the year	(34,991)	(26,460)
Liabilities, end of year	\$ 53,675	\$ 40,512

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 15. DELIVERY OF BENEFITS INITIATIVES (continued)

Delivery of Benefits initiatives liabilities are payable to various organizations in the fiscal years ending March 31 as follows:

2019	\$	34,990
2020		17,491
2021		1,078
2022		97
2023		19
	\$	<u>53,675</u>

### 16. TANGIBLE CAPITAL ASSETS

The Trust's tangible capital assets are as follows:

		Cost	Accumulated Amortization	2018	2017
<b>Corporate</b>					
Land	\$	205	\$ -	\$ 205	\$ 205
Building		3,495	1,904	1,591	1,699
Leasehold improvements		710	566	144	173
Office furniture and equipment		541	491	50	69
Hardware and software		1,872	1,468	404	555
	\$	<u>6,823</u>	\$ <u>4,429</u>	\$ <u>2,394</u>	\$ <u>2,701</u>
<b>Delivery of Benefits</b>					
<i>Economic initiatives</i>					
Land	\$	188	\$ -	\$ 188	\$ 188
Building		1,459	95	1,364	1,303
Deferred development costs		-	-	-	10
		<u>1,647</u>	<u>95</u>	<u>1,552</u>	<u>1,501</u>
<i>Broadband initiatives</i>					
Hardware		3,659	1,505	2,154	1,899
Fibre optics		3,744	481	3,263	2,033
		<u>7,403</u>	<u>1,986</u>	<u>5,417</u>	<u>3,932</u>
	\$	<u>9,050</u>	\$ <u>2,081</u>	\$ <u>6,969</u>	\$ <u>5,433</u>
<b>Investments</b>					
Land	\$	926	\$ -	\$ 926	\$ 926
Building		3,313	352	2,961	2,982
	\$	<u>4,239</u>	\$ <u>352</u>	\$ <u>3,887</u>	\$ <u>3,908</u>
<b>Total tangible capital assets</b>	\$	<u>20,112</u>	\$ <u>6,862</u>	\$ <u>13,250</u>	\$ <u>12,042</u>

Refer to Schedule A for additional financial information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

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### 17. OTHER REVENUES

Other revenues for the Trust consist of the following:

#### Loan income

The Trust receives loan income from the Impact Investment Program which provides capital to businesses challenged with obtaining financing from other sources.

#### Recoveries

The Trust recovers costs from Columbia Power, a related party, for information technology support and for rent for a portion of the Columbia Basin building.

#### Rental revenue

The Trust receives rental revenue from commercial properties located in Cranbrook and Trail, BC.

	2018		2017
Loan income	\$ 62	\$	19
Recoveries	326		378
Rental revenue	271		173
	\$ 659	\$	570

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### 18. POWER PROJECT RECOVERIES AND ADMINISTRATION

The Trust and Columbia Power implemented a Shared Services Agreement (Agreement) effective September 1, 2017, wherein the Trust will provide support in the areas of human resources, accounting, payroll, records management, and other support functions to Columbia Power. This Agreement expanded on the existing shared services arrangement for information technology services that the Trust provides to Columbia Power. Ten former Columbia Power staff are now employed directly by the Trust and continue to provide services under the Agreement to Columbia Power. The direct costs associated to these employees are billed back to Columbia Power.

The President and CEO of the Trust is currently the Acting CEO of Columbia Power. Compensation for the President and CEO is split equally between the Trust and Columbia Power.

### 19. GRANT REVENUES

CBBC, a wholly owned subsidiary of the Trust, and various Internet Service Providers have entered into a Contribution Agreement with the Government of Canada for the *Connecting Canadians Program*. The *Connecting Canadians Program* aims to extend and/or enhance broadband networks for rural and remote Canadian communities and provide access to high quality broadband services for households to participate in the digital economy.

### 20. EXPENSES

In addition to the direct benefits provided to Basin communities, the Trust has also allocated administration services and costs to each major initiative area (with the exception of CBBC) using an appropriate cost allocation methodology. In the case of CBBC and CBDC, administration costs are tracked separately and expensed directly to these initiative areas.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 20. EXPENSES (continued)

The following table lists the community benefits expensed, funding benefits that were recovered or rescinded, and the allocation of the Trust's administration services and costs to each major initiative area for fiscal 2018.

Trust	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total Expenses
Community initiatives	\$ 32,450	\$ (225)	\$ 2,164	\$ 34,389
Economic initiatives	-	(478)	761	283
Investment initiatives	-	-	808	808
Other initiatives	2,074	(43)	1,756	3,787
Power project administration	-	-	592	592
Social initiatives	2,964	(11)	582	3,535
Water and Environment initiatives	3,237	(140)	508	3,605
Youth initiatives	493	(6)	212	699
	41,218	(903)	7,383	47,698
<b>CBBC</b>				
Broadband initiatives	14	-	-	14
Broadband administration	2,499	-	-	2,499
	2,513	-	-	2,513
<b>CBDC</b>				
Economic initiatives	5,054	-	-	5,054
Economic administration	272	-	-	272
	5,326	-	-	5,326
	\$ 49,057	\$ (903)	\$ 7,383	\$ 55,537

The following comprises the Trust's, CBBC's and CBDC's expenses by object:

	Trust	CBBC	CBDC	Total
<b>March 31, 2018</b>				
Amortization	\$ 466	\$ 604	\$ 50	1,120
Board and committee expenses	171	4	15	190
Building costs	-	-	175	175
Communications	204	3	-	207
Corporate travel and meetings	209	26	1	236
Delivery of Benefits initiatives	40,315	14	5,054	45,383
Information technology	149	146	-	295
Network costs	-	1,111	-	1,111
Office and general	742	11	2	755
Power project administration	592	-	-	592
Professional fees	356	191	29	576
Staff remuneration and development	4,494	403	-	4,897
	\$ 47,698	\$ 2,513	\$ 5,326	\$ 55,537

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 20. EXPENSES (continued)

	Trust	CBBC	Total
<b>March 31, 2017</b>			
Amortization	\$ 509	\$ 444	\$ 953
Board and committee expenses	147	10	157
Communications	196	1	197
Corporate travel and meetings	221	26	247
Delivery of Benefits initiatives	34,534	982	35,516
Information technology	225	119	344
Network costs	-	646	646
Office and general	620	5	625
Professional fees	184	202	386
Staff remuneration and development	4,387	493	4,880
	\$ 41,023	\$ 2,928	\$ 43,951

### 21. COMMITMENTS

The Trust has entered into operating lease agreements for two office spaces with terms expiring March 31, 2020 and August 31, 2021. Annual lease commitments are as follows:

2019	\$ 96,208
2020	96,208
2021	60,170
	\$ 252,586

### 22. RELATED PARTY TRANSACTIONS

The Trust is indirectly related through common control to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to be conducted at arm's length and are consequently recorded at their exchange amounts.

The Trust's portion of related party transactions is as follows:

#### (a) Receivable from and revenue earned from related parties:

	2018		2017	
	Receivable from Related Party	Revenue from Related Party	Receivable from Related Party	Revenue from Related Party
BC Hydro	\$ 2,411	\$ 48,222	\$ 2,127	\$ 47,403
BEPC	91	726	92	733
Columbia Power	238	535	91	562
Province of BC	2,120	223	2,033	86
	\$ 4,860	\$ 49,706	\$ 4,343	\$ 48,784

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 22. RELATED PARTY TRANSACTIONS (continued)

#### (b) Payable to and purchases from related parties:

	2018		2017	
	Payable to Related Party	Purchases from Related Party	Payable to Related Party	Purchases from Related Party
BC Housing	\$ 14,781	\$ 12,945	\$ 2,187	\$ 1,725
BC Hydro	20	1,197	8	1,569
BPC	95	726	96	733
Columbia Power	-	1,515	-	1,515
Other Crown Corporations	3	100	-	45
Province of BC	97	7,109	358	6,564
Schools, Colleges and Universities	6,363	5,030	5,159	568
	\$ 21,359	\$ 28,622	\$ 7,808	\$ 12,719

### 23. PUBLIC SERVICE PENSION PLAN

The Trust and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions.

The most recent actuarial valuation as at March 31, 2017 indicated that the PSPP is fully funded and is sufficient to pay the current and future lifetime pensions of all members. Contributions to the PSPP by the Trust in fiscal 2018 were \$397,000 (fiscal 2017 - \$333,000). No provision, other than the Trust's required employer pension contributions, has been made in the accounts of the Trust for this liability. The next valuation date for the PSPP is scheduled for December 31, 2020 with results expected in 2021.

### 24. RISK MANAGEMENT

#### (a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust extends credit within its commercial loans and investments. To mitigate the Trust's exposure to credit risk, an assessment of the credit worthiness of a borrower is carried out prior to the placement of a commercial loan or investment. The Trust's exposure to credit risk is as indicated by the carrying value of its commercial loans and investments.

The maximum exposure to credit risk at March 31 was:

	2018	2017
Accrued interest and other assets	\$ 2,075	\$ 1,645
Loan receivable	\$ 994	\$ 534
Commercial loans	\$ 36,201	\$ 37,365
Commercial investment	\$ 2,375	\$ 2,375

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### 24. RISK MANAGEMENT (continued)

#### (b) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. The Trust considers that it has sufficient liquidity to meet its financial obligations.

The maximum exposure to liquidity risk at March 31 was:

	2018	2017
Accounts payable and accrued liabilities	\$ 871	\$ 835
Long-term debt	\$ 3,958	\$ 3,695
Deferred contributions	\$ 2,325	\$ 1,911
Delivery of Benefits liabilities	\$ 53,675	\$ 40,512

#### (c) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

##### i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

##### ii. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. The Trust's short-term investments and commercial loans are subject to variable interest rates. Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by \$567,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by \$365,000.

##### iii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market. As the Trust's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

	2018	2017
Market securities	\$ 60,278	\$ 57,796

### 25. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the Trust's annual budget approved by the Board of Directors in November 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended March 31, 2018

(Tabular amounts in thousands)

**Schedule A: Tangible capital assets additional financial information**

Corporate	Land	Building	Leasehold Improve- ments	Office Furniture and Equipment	Hardware and Software	Total
<b>March 31, 2018</b>						
<b>Cost</b>						
Opening balance	\$ 205	\$ 3,487	\$ 710	\$ 537	\$ 1,838	\$ 6,777
Additions	-	8	-	4	34	46
	205	3,495	710	541	1,872	6,823
<b>Accumulated amortization</b>						
Opening balance	-	(1,788)	(537)	(468)	(1,283)	(4,076)
Amortization	-	(116)	(29)	(23)	(185)	(353)
	-	(1,904)	(566)	(491)	(1,468)	(4,429)
	\$ 205	\$ 1,591	\$ 144	\$ 50	\$ 404	\$ 2,394

Investments	Land	Building	Total
<b>March 31, 2018</b>			
<b>Cost</b>			
Opening balance	\$ 926	\$ 3,221	\$ 4,147
Additions	-	92	92
	926	3,313	4,239
<b>Accumulated amortization</b>			
Opening balance	-	(239)	(239)
Amortization	-	(113)	(113)
	-	(352)	(352)
	\$ 926	\$ 2,961	\$ 3,887

Delivery of Benefits	Land	Building	Deferred Development Costs	Broadband Hardware	Fibre Optics	Total
<b>March 31, 2018</b>						
<b>Cost</b>						
Opening balance	\$ 188	\$ 1,348	\$ 10	\$ 2,951	\$ 2,363	\$ 6,860
Additions	-	111	-	708	1,381	2,200
Disposals	-	-	(10)	-	-	(10)
	188	1,459	-	3,659	3,744	9,050
<b>Accumulated amortization</b>						
Opening balance	-	(45)	-	(1,052)	(330)	(1,427)
Amortization	-	(50)	-	(453)	(151)	(654)
	-	(95)	-	(1,505)	(481)	(2,081)
	\$ 188	\$ 1,364	\$ -	\$ 2,154	\$ 3,263	\$ 6,969

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2018

(Tabular amounts in thousands)

### Schedule A: Tangible capital assets additional financial information (continued)

Corporate	Land	Building	Leasehold Improve- ments	Office Furniture and Equipment	Hardware and Software	Total
<b>March 31, 2017</b>						
<b>Cost</b>						
Opening balance	\$ 205	\$ 3,487	\$ 513	\$ 500	\$ 1,593	\$ 6,298
Additions	-	-	197	37	245	479
	205	3,487	710	537	1,838	6,777
<b>Accumulated amortization</b>						
Opening balance	-	(1,673)	(489)	(442)	(1,072)	(3,676)
Amortization	-	(115)	(48)	(26)	(211)	(400)
	-	(1,788)	(537)	(468)	(1,283)	(4,076)
	\$ 205	\$ 1,699	\$ 173	\$ 69	\$ 555	\$ 2,701

Investments	Land	Building	Total
<b>March 31, 2017</b>			
<b>Cost</b>			
Opening balance	\$ 611	\$ 1,322	\$ 1,933
Additions	315	1,899	2,214
	926	3,221	4,147
<b>Accumulated amortization</b>			
Opening balance	-	(131)	(131)
Amortization	-	(108)	(108)
	-	(239)	(239)
	\$ 926	\$ 2,982	\$ 3,908

Delivery of Benefits	Land	Building	Deferred Development Costs	Broadband Hardware	Fibre Optics	Total
<b>March 31, 2017</b>						
<b>Cost</b>						
Opening balance	\$ -	\$ -	\$ -	\$ 2,360	\$ 1,991	\$ 4,351
Additions	188	1,348	10	591	372	2,509
	188	1,348	10	2,951	2,363	6,860
<b>Accumulated amortization</b>						
Opening balance	-	-	-	(702)	(236)	(938)
Amortization	-	(45)	-	(350)	(94)	(489)
	-	(45)	-	(1,052)	(330)	(1,427)
	\$ 188	\$ 1,303	\$ 10	\$ 1,899	\$ 2,033	\$ 5,433

## **Appendix A – Additional Information**

### ***Corporate Governance***

Learn more about our:

- Governance: [ourtrust.org/governance](http://ourtrust.org/governance)
- Board of Directors: [ourtrust.org/board](http://ourtrust.org/board)
- Executive Committee: [ourtrust.org/contact](http://ourtrust.org/contact).

### ***Organizational Overview***

Learn more at [ourtrust.org/about](http://ourtrust.org/about).

### ***Contact Information***

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Website:  
[ourtrust.org](http://ourtrust.org)

## Appendix B – Subsidiaries and Operating Segments

### *Active Subsidiaries*

#### **Columbia Basin Broadband Corporation**

[Columbia Basin Broadband Corporation](#) (CBBC) is a wholly owned subsidiary of the Trust formed in 2011. CBBC is working with Basin communities and rural areas to improve connectivity through a region-wide fibre optic cable network which will contribute to economic and social development in the Basin.

As we consider the activities of CBBC a delivered benefit to Basin residents, any losses incurred by CBBC will be addressed through the Delivery of Benefits budget. The forecasts shown for CBBC are based on a number of assumptions, particularly the timing of various technical and community-based projects related to connectivity. Forecasts of revenues, expenses and capital expenditures will vary depending on how these projects evolve.

CBBC audited financial statements for 2017/18 can be viewed online at [ourtrust.org/cbbcfinancials](http://ourtrust.org/cbbcfinancials).

The CBBC Board comprises the following members, whose terms expire January 2019:

- Ron Miles, Chair
- Wendy Booth
- Greg Deck
- Andrew Kyle
- Rick Leggett
- David Raven

#### **Financial Resource Summary Table**

(\$m) or (\$000)	2016/17 Actual	2017/18 Budget	2017/18 Actual
<b>Total Revenue</b>	\$ 1,948	\$ 3,334	\$ 1,317
<b>Total Expenses</b>	\$ 2,928	\$ 2,975	\$ 2,501
<b>Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)</b>	<b>\$ (980)</b>	<b>\$ 359</b>	<b>\$(1,184)</b>

#### **Columbia Basin Development Corp.**

Columbia Basin Development Corp. (CBDC) is a wholly owned subsidiary of the Trust formed in 2016. The Trust Board approved a financial commitment of \$20 million to CBDC to lead and support efforts to advance economic growth, job creation, innovation and entrepreneurial opportunity for a prosperous and sustainable Basin economy.

As we consider the activities of CBDC and delivered benefits to Basin residents, any losses incurred by CBDC will be addressed through the Delivery of Benefits budget.



The CBDC Board comprises the following members, whose terms expire January 2019:

- Am Naqvi, Chair
- Kevin Andruschuk
- Jocelyn Carver
- Rick Jensen
- Alan Mason
- Heidi Romich

### Financial Resource Summary Table

(\$m) or (\$000)	2016/17 Actual	2017/18 Budget	2017/18 Actual
<b>Total Revenue</b>	\$ -	\$ -	\$ 30
<b>Total Expenses</b>	\$ (266)	\$ 2,523	\$ 5,306
<b>Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)</b>	<b>\$ (266)</b>	<b>\$(2,523)</b>	<b>\$(5,276)</b>

### Holding Companies

For commercial and legal reasons, the Trust has nine subsidiaries that hold its interests in investments.

- CBT Commercial Finance Corp. holds Trust interests in business loans and investments.
- CBT Real Estate Investment Corp. holds Trust interests in real estate.
- CBT Property Corp. is a subsidiary of the Trust and holds interests in corporate real estate.
- CBT Energy Inc. (CBTE) is the main Trust subsidiary related to power projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Expansion joint venture with Columbia Power.
- CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with Columbia Power.
- CBT Waneta Expansion Power Corp. is a subsidiary of the Trust that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.
- Columbia Basin Housing Society is a wholly controlled entity of CBT Property Corp.