

Financial Statements of

**E-COMM EMERGENCY COMMUNICATIONS
FOR BRITISH COLUMBIA INCORPORATED**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of E-Comm Emergency Communications for
British Columbia Incorporated

Opinion

We have audited the financial statements of E-Comm Emergency Communications for British Columbia Incorporated (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organization, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 23, 2020

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,254,126	\$ 3,985,473
Accounts receivable (note 4)	8,002,820	2,250,155
Prepaid expenses	1,617,339	2,062,097
Investment in direct finance leases receivable (note 6)	5,422,176	5,322,017
	<u>31,296,461</u>	<u>13,619,742</u>
Investment in PRIMECorp (note 2(a))	1	1
Debt reserve fund (note 3)	2,427,953	2,122,591
Long-term prepaid land lease	1,944,445	1,969,697
Long-term portion of prepaid expenses	1,452,903	1,762,178
Long-term receivable for decommissioned assets (note 5)	83,922	101,931
Long-term portion of investment in direct finance leases receivable (note 6)	23,982,248	24,308,263
Tangible capital assets (note 7)	53,825,307	54,961,581
	<u>\$ 115,013,240</u>	<u>\$ 98,845,984</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 24,831,874	\$ 16,131,293
Accrued interest payable (note 9)	1,066,497	935,042
Deferred revenue	95,435	172,428
Current portion of long-term debt (note 9)	14,023,940	17,285,526
Other liabilities (note 10)	12,886,698	11,786,709
	<u>52,904,444</u>	<u>46,310,998</u>
Long-term debt (note 9)	59,783,235	48,147,790
Asset retirement obligation (note 11)	1,802,764	2,404,520
Total liabilities	<u>114,490,443</u>	<u>96,863,308</u>
Net assets:		
Share capital (note 12)	540	530
Unrestricted net assets	522,257	1,982,146
	<u>522,797</u>	<u>1,982,676</u>
Contingency (note 3)		
Commitments (note 14)		
Subsequent event (note 17)		
	<u>\$ 115,013,240</u>	<u>\$ 98,845,984</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Operations and Net Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Radio system	\$ 14,608,999	\$ 15,477,739
Consolidated dispatch and 9-1-1 call taking system	45,283,584	34,593,256
Contract service fees and miscellaneous revenue	7,424,118	8,061,234
CAD system	1,455,141	1,490,498
Records management system	978,981	1,166,047
Financing revenue from direct finance leases	712,699	860,275
Tenant recoveries rental	417,760	440,770
Interest income	4,592,554	3,879,934
	<u>75,473,836</u>	<u>65,969,753</u>
Direct operating expenses:		
Salaries and benefits	54,013,630	45,140,586
Maintenance and technology	4,744,232	4,687,238
Premises	3,877,911	1,952,959
Professional fees	1,050,551	1,738,915
Employee related	1,335,416	1,330,359
Office supplies and communication	841,672	573,090
Other	577,227	516,900
	<u>66,440,639</u>	<u>55,940,047</u>
Other (income) expenses:		
Amortization of tangible capital assets and prepaid land lease	6,121,195	6,372,449
Amortization of deferred financing costs	150,890	146,169
Interest on long-term debt	4,151,638	4,225,370
Accretion of asset retirement obligation (note 11)	73,574	83,796
Loss (gain) on disposal of equipment	14,522	(425,862)
Gain on decommissioning of site lease (note 11)	(18,733)	-
	<u>10,493,086</u>	<u>10,401,922</u>
	<u>76,933,725</u>	<u>66,341,969</u>
Deficiency of revenue over expenses	(1,459,889)	(372,216)
Unrestricted net assets, beginning of year	1,982,146	2,354,362
Unrestricted net assets, end of year	<u>\$ 522,257</u>	<u>\$ 1,982,146</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Deficiency of revenue over expenses	\$ (1,459,889)	\$ (372,216)
Items not involving cash:		
Amortization of tangible capital assets	6,095,943	6,347,198
Amortization of prepaid land lease	25,252	25,253
Accretion of asset retirement obligation	73,574	83,796
Gain on decommissioning of site lease	(18,733)	-
Adjustment due to revaluation of ARO (note 11)	(649,979)	-
Additions to ARO for new site lease (note 11)	24,997	-
Amortization of deferred financing costs	150,890	146,168
Interest earned on debt reserve fund	(50,362)	(45,198)
Interest earned on investment in direct finance leases receivable	(712,699)	(860,275)
Loss (gain) on disposal of equipment	14,522	(425,862)
Expenditures on asset retirement obligation	(31,615)	(32,328)
Changes in non-cash operating items:		
Accounts receivable and long term receivables	(5,734,656)	308,016
Prepaid expenses	754,033	(396,891)
Costs recoverable from future billings	-	870,536
Accounts payable, accrued liabilities and interest payable	8,832,036	(1,133,757)
Deferred revenue	(76,993)	(37,068)
Other liabilities	1,099,989	(2,168,514)
	8,336,310	2,308,858
Financing:		
Proceeds from long-term debt	25,245,000	-
Proceeds from issuance of share capital	10	10
Repayment of long-term debt	(17,277,031)	(13,160,468)
	7,967,979	(13,160,458)
Investing:		
Acquisition and construction of tangible capital assets	(4,974,191)	(3,431,528)
Payments received on direct finance leases receivable	6,476,585	7,344,611
Acquisition of assets for direct finance leases	(5,538,030)	(5,330,972)
	(4,035,636)	(1,417,889)
Increase (decrease) in cash and cash equivalents	12,268,653	(12,269,489)
Cash and cash equivalents, beginning of year	3,985,473	16,254,962
Cash and cash equivalents, end of year	\$ 16,254,126	\$ 3,985,473

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2019

1. Operations:

E-Comm Emergency Communications for British Columbia Incorporated (the "Corporation") was created in 1997 under legislation known as the Emergency Communications Corporations Act. On September 22, 1997, the Corporation was incorporated under the Business Corporations Act (British Columbia).

The Corporation provides centralized emergency communications and related public safety and public service to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout British Columbia. Primary services are provided to shareholder members of the Corporation pursuant to the Members' Agreement, and to the Royal Canadian Mounted Police ("RCMP") pursuant to a Special User Agreement.

The Corporation is exempt from income tax under the Income Tax Act.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and incorporate the following significant accounting policies:

(a) Basis of presentation:

In March 2003, the Corporation established Police Records Information Management Environment Incorporated ("PRIMECorp"), a wholly-owned company, to ensure that the records management system and computer aided dispatch system are delivered and consistent in all police agencies throughout British Columbia. As the operations are controlled by the Province of British Columbia, Minister of Public Safety and Solicitor General, the net assets and operations of PRIMECorp have not been included in these financial statements.

(b) Revenue recognition:

Revenue from the provision of services is recognized in the period that the services are provided through operating activities or the consumption of capital assets over their useful lives, irrespective of the period in which the service is billed. The Members' Agreement specifies the manner in which members are obligated to pay for services rendered by the Corporation. Finance income related to direct-financing type leases is recognized in a manner that produces a constant rate of return over the terms of the leases. Amounts received for future services are deferred until the service is provided.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, cash held in banks and term deposits maturing within 90-days from the date of acquisition, net of bank overdrafts, if any.

(d) Costs recoverable through future billings:

Costs recoverable through future billings represent services provided through the utilization of taxable capital assets, the cost of which is recoverable through future payments in accordance with the Members' Agreement.

(e) Prepaid land lease:

The land on which the Corporation's building is located has been leased from the City of Vancouver for a period of 99-years commencing 1999. The prepaid amount is being amortized, and recovered through billings, over the term of the lease.

(f) Capital assets:

Capital assets are stated at cost, net of accumulated amortization. Interest costs directly attributable to major projects are capitalized and, commencing at project completion, are amortized over the estimated life of the underlying assets.

Amortization begins when assets are put into use and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Rate
Building	40.0 years
Furniture, fixtures and building equipment	3.0 years to 25.0 years
Radio	5.0 years to 20.5 years
Dispatch consoles and voice systems	7.0 years to 10.0 years
Records management system - Fire	5.0 years to 10.0 years
Computer aided dispatch - Fire	5.0 years to 10.0 years
User equipment	7.5 years to 12.5 years
Leasehold improvements	Over the term of the lease

The Corporation reviews its tangible capital assets for impairment whenever events or changes in circumstances indicate that the tangible capital asset no longer has long-term service potential to the organization. If such condition exists, an impairment loss is measured at the amount by which the carrying amount of the tangible capital asset exceeds its residual value.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(g) Asset retirement obligations:

The Corporation recognizes the liability for an asset retirement obligation that results from acquisition, construction, development or normal operations in the year in which it is incurred and when a reasonable estimate of fair value can be made. The amount recognized is the best estimate of the expenditure required to settle the present obligation. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation does not hold any financial instruments that it is required to carry at fair value nor has not elected to carry any financial instruments at fair value.

The Corporation's financial instruments carried at amortized cost include cash and cash equivalents, accounts receivable, debt reserve fund, costs recoverable from future billings, accounts payable and accrued liabilities, and long-term debt.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indication of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Significant accounting policies (continued):

(i) Related party transactions:

Transactions with related parties are in the normal course of operations and are recorded at the agreed upon exchange amount. Contractual arrangements and service agreements with related parties are subject to the Corporation's tendering and proposal processes.

(j) Employee future benefits:

The Corporation participates in a multi-employer defined benefits pension plan. Defined contribution plan accounting is applied to this plan because the actuary does not attribute the deficit or surplus of the plan to specific employers. The pension expense associated with this plan is equal to the Corporation's contributions during the reporting period.

(k) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, the established useful lives of tangible capital assets for purposes of amortization, recognition of revenue of costs recoverable through future billings, measurement of asset retirement obligations and contingent liabilities. Actual results could differ from those estimates.

3. Debt reserve fund and contingency:

The Corporation is required to maintain 1% of the initial borrowings through the Municipal Finance Authority of British Columbia ("MFA") in a debt reserve fund administered by the MFA. The original amount is presented together with interest earned on the reserve fund investments.

Demand notes in the aggregate amount of \$11,484,273.96 (2018 - \$10,341,485) are also provided by the Corporation to the MFA as a requirement of the borrowings. The debt agreement with the MFA provides that if at any time the scheduled payments provided for in the agreement are not sufficient to meet the MFA's obligations in respect to such borrowing, the deficiency becomes the joint and several liability of the Corporation and all other participants to the agreement through the MFA. The Corporation is similarly liable on a contingent basis for the debt of other entities secured through the MFA. These contingent demand loans are not recorded in the Corporation's financial statements as they are not likely to be paid.

If at any time the Corporation does not have sufficient funds to meet payments due on its obligations, the payments shall be made from the debt reserve fund. The amounts due to the Corporation from the debt reserve fund are repaid to the Corporation when the respective loan agreements mature. There were additions to the debt reserve fund during the year of \$255,000 (2018 - nil). Interest earned on the debt reserve fund at 2.37% per annum (2018 - 2.18%) amounts to \$50,362 (2018 - \$45,198).

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Accounts Receivable:

	2019	2018
Dispatch and 9-1-1 call taking levies	\$ 4,594,832	\$ 589,318
Radio levies	1,920,820	475,963
Technology support services fees	850,090	850,021
Other receivables	637,078	334,853
	<u>\$ 8,002,820</u>	<u>\$ 2,250,155</u>

5. Long-term receivable for decommissioned assets:

	2019	2018
Microwave Network	\$ 101,931	\$ 110,821
Less current portion	18,009	8,890
	<u>\$ 83,922</u>	<u>\$ 101,931</u>

The current portion of receivable for decommissioned assets is recorded in accounts receivable.

The long-term receivable for decommissioned assets relates to the Microwave Network. The Microwave Network was comprised of three rings that were used to connect the Corporation's radio sites to each other and to the central voice radio network switch housed in the Corporation's main building. The rings were replaced in 2012 and the original microwave backbone system was taken out of service. As the unamortized capital cost of the original system is recoverable from all committed agencies, the carrying value at the out-of-service date has been reclassified to a long-term receivable to be recovered through future billings. The receivable was initially recorded at fair value using the discounted cash flow model and subsequently recorded at amortized cost.

6. Investment in direct finance leases receivable:

	2019	2018
Minimum lease payments receivable	\$ 33,100,330	\$ 33,215,099
Less imputed interest at 2.85% and 4.65% (a)	3,517,510	3,419,904
Less imputed interest at 0.95% and 1.45% (b)	8,616	10,015
Less imputed interest at 2.65% and 2.85% (c)	169,780	154,900
	<u>29,404,424</u>	<u>29,630,280</u>
Less current portion	5,422,176	5,322,017
	<u>\$ 23,982,248</u>	<u>\$ 24,308,263</u>

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Investment in direct finance leases receivable (continued):

- (a) Specific user agencies lease user equipment from the Corporation under 7.5-year direct finance leases. The future minimum payments, excluding financing costs, due from the user agencies are as follows:

2020	\$ 5,073,763
2021	4,953,509
2022	4,919,917
2023	4,857,540
2024	4,817,547
Thereafter	3,388,191
	<hr/> \$ 28,010,467 <hr/>

- (b) Specific user agencies lease computer aided dispatch user equipment from the Corporation under 5-year direct finance leases. The future minimum payments, excluding financing costs, due from the user agencies are as follows:

2020	\$ 196,711
2021	20,176
2022	14,180
2023	14,180
	<hr/> \$ 245,247 <hr/>

- (c) Specific user agencies lease remote dispatch equipment from the Corporation under 10 year direct finance leases. The future minimum payments, excluding financing costs, due from the remote dispatch agencies are as follows:

2020	\$ 151,690
2021	151,690
2022	151,690
2023	150,020
2024	146,190
Thereafter	397,430
	<hr/> \$ 1,148,710 <hr/>

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Tangible capital assets:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Building	\$ 9,179,464	\$ (4,817,903)	\$ 4,361,561	\$ 3,803,545
Furniture, fixtures and building equipment	14,508,981	(11,253,991)	3,254,990	3,269,802
Radio	68,180,524	(24,367,757)	43,812,767	45,036,066
Dispatch consoles and voice systems	5,308,753	(3,723,931)	1,584,822	1,906,169
Records management system - Fire	2,312,548	(2,276,386)	36,162	85,147
Computer aided dispatch - Fire	2,928,534	(2,708,460)	220,074	209,754
User equipment	129,696	(32,798)	96,898	117,188
Leasehold improvements	872,503	(414,470)	458,033	533,910
	\$ 103,421,003	\$ (49,595,696)	\$ 53,825,307	\$ 54,961,581

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2019 are government remittances payable of \$959,141 (2018 - \$360,964) relating to payroll related taxes.

9. Long-term debt:

		2019	2018
1.75% unsecured note payable, maturing June 1, 2022	(a) \$	3,132,491	\$ 4,218,566
2.85% unsecured note payable, maturing October 3, 2023	(b)	2,119,533	2,608,350
2.65% unsecured note payable, maturing March 24, 2024	(c)	18,152,516	29,133,250
2.85% unsecured note payable, maturing October 24, 2024	(d)	25,567,530	30,288,935
2.24% unsecured note payable, maturing October 9, 2029	(e)	25,500,000	-
		74,472,070	66,249,101
Less deferred financing costs		664,895	815,785
		73,807,175	65,433,316
Less current portion		14,023,940	17,285,526
		\$ 59,783,235	\$ 48,147,790

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Long-term debt (continued):

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of \$170,000,000. Of the \$170,000,000, \$74,472,069 (2018 - \$66,249,101) inclusive of sinking fund payments, has been drawn to date. Long-term debt is currently comprised of the following:

- (a) On April 9, 2002, the Corporation obtained \$16,000,000 of financing. This loan has a final payment due on June 1, 2022, bears interest at a rate of 1.75%, with interest calculated and paid semi-annually in each year of the loan.
- (b) On September 23, 2002, the Corporation obtained \$7,684,000 of financing. This loan has a final payment due on October 3, 2023, bears interest at a rate of 2.85%, with interest calculated and paid semi-annually in each year of the loan.
- (c) On March 24, 2008, the Corporation refinanced an existing loan, leaving a balance of \$87,000,000 repayable over 16-years. This loan has a final payment on March 24, 2024 bears interest at a rate of 2.65%, with interest calculated and paid semi-annually in each year of the loan.
- (d) On October 4, 2017, the Corporation obtained \$34,873,000 in long term borrowing from the MFA for user agency radio purchases for the P25 network. This loan has an initial term of 7 years with a final payment date of October 24, 2024, bears interest at a rate of 2.85%, with interest calculated and paid semi-annually in each year of the loan.
- (e) On October 9, 2019, the Corporation obtained \$25,500,000 in long term borrowing from the MFA for user agency P25 mobile subscriber equipment, radio infrastructure and subscriber equipment for Translink's transition onto the Corporation's radio system. The loan has a term of 10 years with a final payment date of October 9, 2029, and bears interest at a rate of 2.24%, with interest calculated and paid semi-annually in each year of the loan.

The Corporation's borrowing capacity will increase in accordance with the above maturity dates.

The repayment requirements for the existing borrowing agreements for long-term debt are reported net of the estimated sinking fund asset balances of \$96,584,931 (2018 - \$79,307,899). The sinking fund balance represents the principle payments made on outstanding debt to date. As such, the repayment schedule during the next 5-years and thereafter is as follows:

2020	\$ 14,023,939
2021	12,833,223
2022	12,865,497
2023	12,437,245
2024	8,702,253
Thereafter	13,609,912
	<hr/>
	\$ 74,472,069

There is \$1,006,497 (2018 - \$935,042) of interest accrued on outstanding amounts at year-end.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Other liabilities:

		2019	2018
User equipment	(a)	\$ 3,732,813	\$ 5,000,289
Radio	(b)	6,880,308	5,293,386
HealthLink BC	(c)	729,337	316,917
Fire RMS & CAD	(d)	1,544,240	1,176,117
Balance, end of year		\$ 12,886,698	\$ 11,786,709

Other liabilities consist of the following:

- (a) The Corporation has received annual payments through user equipment billings from radio member agencies starting in 2007 for future user equipment purchases for specific user agencies. The funds collected are recorded as other liabilities until they are spent on behalf of the user agencies. In 2019, no amounts (2018 - nil) were collected as billings received, \$1,090,016 (2018 - \$413,000) were repaid to user agencies, and \$177,460 (2018 - \$1,002,737) was drawn down for user equipment purchases on behalf of member agencies. Interest is not earned on this balance.
- (b) Starting in 2006, the Corporation has collected funds through radio billings from radio member agencies to be set aside for future radio related expenditures. The funds collected are recorded as other liabilities until they are spent. In 2019, a further \$2,280,925 (2018 - \$994,837) was collected through billings, \$723,998 (2018 - \$1,706,581) was authorized to be expended from the funds and was spent, and \$29,995 (2018 - \$22,127) of interest was earned by and allocated to the liability, calculated based on the average bank interest rate during the year.
- (c) The Corporation has received funds from HealthLink BC for future expenditures. These amounts are recorded as other liabilities until the funds are spent. There is no interest earned on this balance.
- (d) The Corporation has collected annual payments starting in 2011 through Fire RMS and Fire CAD billings from Fire RMS and Fire CAD member agencies for future capital use. The funds collected are recorded as other liabilities until they are spent. In 2019, \$405,000 (2018 - \$90,000) was collected through billings and \$37,763 (2018 - \$80,348) was drawn down for equipment purchases. Interest is not earned on this balance.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Asset retirement obligation:

The Corporation has recorded an asset retirement obligation ("ARO") for the estimated costs of restoring certain leased sites on which the Corporation's radio towers are situated to their original condition at the end of the lease terms. Changes in the asset retirement obligation during the year are as follows:

	2019	2018
Balance, beginning of year	\$ 2,404,520	\$ 2,353,052
Accretion expense	73,574	83,796
Gain on decommissioning of site lease	(18,733)	-
Adjustment due to revaluation of ARO	(649,979)	-
Additions to ARO for new site lease	24,997	-
Expenditures incurred	(31,615)	(32,328)
Balance, end of year	\$ 1,802,764	\$ 2,404,520

The undiscounted estimated cash flows required to settle the obligations range from \$5,600 to \$170,000 during the years 2020 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 1.91% to 2.56% (2018 - 1.64% to 5.25%).

Other assumptions used by management to determine the carrying amount of the asset retirement obligation include costs to restore the leased sites to their original condition and the rate of inflation over the expected years to settlement.

There are certain leased sites with an indeterminable amount of the asset retirement obligation as adequate information is not available to estimate fair value. As such, no asset retirement obligation has been recorded in the Corporation's financial statements for these indeterminable amounts. These amounts are not considered significant.

12. Share capital:

(a) Authorized:

340 Class A common voting shares without par value. Following project completion, Class A shareholders are obligated to share in funding both the ongoing operations and any additional costs relating to capital assets (in accordance with a cost-sharing formula). Upon a member acquiring a Class A share, that member shall have agreed to use the Corporation's wide area radio system network to which the Class A share relates.

200 Class B common restricted voting shares without par value. Following project completion, Class B shareholders can elect to become Class A shareholders on the condition that the member agrees to use the Corporation's wide area radio system network. Class B shareholders are not obligated to share in funding the ongoing operating costs.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Share capital (continued):

(b) Issued:

	2019	2018
34 Class A common voting shares (2018 - 32)	\$ 340	\$ 320
20 Class B common restricted voting shares (2018 - 21)	200	210
	\$ 540	\$ 530

(c) RCMP Special User Agreement:

Due to existing Federal restrictions, the RCMP cannot become a shareholder in the Corporation. Consequently, a Special User Agreement has been executed such that the RCMP has the right to participate in the Corporation's activities project on the same terms and conditions as the Class A shareholders, including the obligation to fund both the ongoing operating costs and any additional costs relating to capital assets, in accordance with a cost-sharing formula.

13. Related party transactions:

PRIMECorp is related by virtue of executive and technology support services agreements under which certain of the Corporation's management act in executive positions for PRIMECorp and the Corporation provides technology support services to PRIMECorp. The following table summarizes transactions between PRIMECorp and the Corporation during the year:

	2019	2018
Technical services and support	\$ 3,035,711	\$ 2,880,976
Employee secondments and employee related expenses	2,422,153	2,077,695
Executive services	604,595	384,992
Geographic Information Systems ("GIS") services	84,519	322,641
Shared facilities services	417,760	306,959

The above transactions, unless disclosed otherwise, are considered to be in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is an amount of \$705,314 (2018 - \$622,486) due from PRIMECorp.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. Commitments:

(a) Operating leases:

- (i) The Corporation has entered into leases of land for certain radio tower sites. These leases expire in future years from 2020 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

2020	\$	993,048
2021		824,339
2022		807,336
2023		819,573
2024		806,913
Thereafter		10,041,786
		<hr/>
	\$	14,292,995

- (ii) The Corporation is committed under vehicle and office equipment operating leases having varying expiry dates to the year 2023. The future minimum payments under the terms of such leases are as follows:

2020	\$	90,791
2021		90,527
2022		90,527
2023		46,282
		<hr/>
	\$	318,127

- (iii) The Corporation has entered into leases for office premises. The leases expire December 31, 2020 (with a renewable option to the Corporation for another 3 years), December 31, 2023 (with a renewable option to the Corporation for another 5 years), and January 31, 2024 (with 2 renewable options to the Corporation for 5 years each). The future minimum payments, excluding the option periods, are approximately as follows:

2020	\$	1,949,159
2021		1,378,115
2022		1,378,115
2023		1,378,115
2024		84,150
		<hr/>
	\$	6,167,654

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. Commitments (continued):

(b) Municipal Pension Plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Pension Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Pension Plan, including investment of the assets and administration of benefits. The Pension Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the Pension Plan has about 205,000 active members and approximately 101,000 retired members.

The most recent valuation, as at December 31, 2018, indicated a surplus of \$2,866,000,000 for basic pension benefits.

Defined contribution plan accounting is applied to the Pension Plan as the Pension Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Pension Plan assets, and costs to individual entities participating in the Pension Plan.

During the year ended December 31, 2019, the Corporation paid \$3,778,832 (2018 - \$3,124,927) for employer contributions to the Pension Plan.

15. Financial risks:

(a) Interest rate risk:

It is management's opinion that the Corporation is not exposed to significant interest rate risk as its long term debt has fixed interest rates. Fluctuations in rates could impact future payments upon renewal. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating and capital requirements. The Corporation prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from the prior year.

16. Comparative information:

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

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2019

17. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the Corporation's future cash flows and may have a significant impact on the Corporation's future operations. Potential impact on the Corporation's business could include increases in expenses. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Corporation is not practicable at this time.