Financial Statements of

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Directors of PRIMECORP - Police Records Information
Management Environment Incorporated

Opinion

We have audited the financial statements of PRIMECORP - Police Records Information Management Environment Incorporated (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020;
- the statement of operations for the year then ended;
- the statement of changes in net financial 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 March 31, 2020, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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
June 24, 2020

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	$ 4,983,501	$ 3,802,234
Accounts receivable	159,965	231,066
	5,143,466	4,033,300
Liabilities:		
Accounts payable and accrued liabilities (note 7)	1,305,350	2,100,899
Deferred contributions (note 3)	1,522,252	621,810
Deferred lease inducement (note 4)	23,958	55,902
	2,851,560	2,778,611
Net financial assets	2,291,906	1,254,689
Non-financial assets:		
Tangible capital assets (note 6)	2,308,147	3,048,559
Prepaid expenses	1,237,642	1,318,703
	3,545,789	4,367,262
Accumulated surplus	$ 5,837,695	$ 5,621,951

Commitments (note 8)
Impact of COVID-19 (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
	(Note 10)		
Revenue:			
User service fees	$ 11,904,500	$ 11,899,860	$ 11,482,385
Sales of computer hardware and software licenses	-	160,575	270,200
RTID maintenance	123,150	122,922	122,034
RSI project	411,480	540,204	430,590
Interest	78,000	106,473	77,906
	12,517,130	12,830,034	12,383,115
Expenses:			
Maintenance and technology	4,593,690	4,067,702	4,531,646
Amortization of tangible capital assets	876,970	866,694	794,237
Computer hardware and software licenses, cost of sales	-	160,575	270,200
Salaries and benefits	6,137,080	6,142,054	5,372,331
Premises	443,170	377,692	415,140
Professional fees	942,000	459,799	1,404,232
Office supplies and communication	261,470	394,334	301,757
Employee related	131,490	122,793	225,934
Other	40,520	22,647	54,039
	13,426,390	12,614,290	13,369,516
Annual surplus (deficit)	(909,260)	215,744	(986,401)
Accumulated surplus, beginning of year	5,621,951	5,621,951	6,608,352
Accumulated surplus, end of year	$ 4,712,691	$ 5,837,695	$ 5,621,951

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Changes in Net Financial Assets

Year ended March 31, 2020, with comparative information for 2019

	Budget	2020	2019
	(Note 10)		
Annual surplus (deficit)	$ (909,260)	$ 215,744	$ (986,401)
Acquisition of tangible capital assets	(246,100)	(126,282)	(1,678,038)
Amortization of tangible capital assets	876,970	866,694	794,237
Acquisition of prepaid expenses	-	(3,445,569)	(5,011,021)
Use of prepaid expenses	-	3,526,630	4,780,629
Change in net financial assets	(278,390)	1,037,217	(2,100,594)
Net financial assets, beginning of year	1,254,689	1,254,689	3,355,283
Net financial assets, end of year	$ 976,298	$ 2,291,906	$ 1,254,689

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 215,744	$ (986,401)
Items not involving cash:		
Amortization of tangible capital assets	866,694	794,237
Amortization of deferred lease inducement	(31,944)	(31,944)
Changes in non-cash operating working items:		
Accounts receivable	71,101	362,906
Prepaid expenses	81,061	(230,392)
Accounts payable and accrued liabilities	(795,549)	485,232
Deferred contributions	900,442	(430,590)
	1,307,549	(36,952)
Capital:		
Acquisition of tangible capital assets	(126,282)	(1,678,038)
Increase (decrease) in cash	1,181,267	(1,714,990)
Cash, beginning of year	3,802,234	5,517,224
Cash, end of year	$ 4,983,501	$ 3,802,234

See accompanying notes to financial statements.

1. Operations:

PRIMECorp - Police Records Information Management Environment Incorporated (the "Company" or "PRIMECorp") is incorporated under the Business Corporations Act (British Columbia). E-Comm Emergency Communications for British Columbia Incorporated ("E-Comm") owns the sole issued and outstanding share of the Company. E-Comm has transferred its voting rights as the sole shareholder to the Province of British Columbia, Ministry of Public Safety and Solicitor General. The Board of Directors is comprised of various members of police agencies, municipal representatives, an appointee of the Government of the Province of British Columbia, and an appointee from E-Comm.

The mandate of the Company is to ensure that the Records Management System and Computer Aided Dispatch system is delivered and consistent in all police agencies in British Columbia. The operational requirements are funded by a user fee system assessed on all police agencies in British Columbia, which is collected and remitted to PRIMECorp. The Company recovers its expenses from the user fees based on the annual budget. The capital requirements are funded by this same user fee as well as grants previously received from the Province of British Columbia, Ministry of Public Safety and Solicitor General (the "Province").

2. Significant accounting policies:

The Company's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Canadian Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(b) Revenue recognition:

Contributions restricted for specific types of operations or specific periods are deferred and recognized when the restrictions have been met. Government transfers received for the acquisition of capital assets are initially deferred and recorded as revenue when the stipulations associated with the contributions have been met, provided no liability exists.

User service fees, interest and other revenue is recognized when earned or over the service period.

Other revenue consists of various computer hardware and software licenses and maintenance which are purchased and resold to participating agencies at cost.

2. Significant accounting policies (continued):

(c) Deferred contributions:

Deferred contributions is comprised of contributions restricted for Real Time Identification System (“RTID”) maintenance and the Road Safety Initiative (“RSI”) project. When qualifying expenditures are incurred, the deferred amounts are recognized as revenue at amounts equal to the qualifying expenses.

(d) Deferred lease inducements:

Lease inducements, relating to the leasing of office premise, received on lease inception are deferred and amortized on a straight-line basis over the lease term.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Period
Furniture and fixtures	10 years
Computer hardware and system software	2 - 5 years
Computer Aided Dispatch (“CAD”)	5 years
Records Management System (“RMS”)	5 years
Real Time Identification System (“RTID”)	5 years
Software licenses	5 years
Leasehold improvements	Over the term of the lease

When events or circumstances indicate that a tangible capital asset no longer has any long term service potential, the net carrying amount is written down to the residual value of the assets.

(g) Use of estimates:

In preparing these financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. A significant area of estimate relates to the useful lives for amortization of tangible capital assets. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(h) Segment disclosure and functional presentation of expenses:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Management believes that the Company's activities comprise only one segment and hence no additional disclosure is required. Furthermore, as the operations of the Company are comprised of a single function, delivery of a police records management system, the statement of operations presents expenses by object.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

The Company does not have any financial instruments that are required or elected to be subsequently recorded at fair value; therefore, all instruments are recorded at amortized cost. As a result, the Company does not have a statement of re-measurement gains and losses.

3. Deferred contributions:

	2020	2019
Balance, beginning of year	$ 621,810	$ 1,052,400
Add: Payments received during the year	1,563,569	122,034
Less: Recognition of deferred contributions in the year	(663,127)	(552,624)
Balance, end of year	$ 1,522,252	$ 621,810

During the year ended March 31 2020, the Company received payments of $1,563,569 (2019 - $122,034) of which $122,922 (2019 - $122,034) was received from the RCMP and police agencies in British Columbia restricted for RTID maintenance expenditures. $1,440,647 (2019 - nil) was received from the Province for the next phase in the RSI project.

The Company incurred $663,127 (2019 - $552,624) in qualifying expenditures and recognized this amount as revenue during the year ended March 31, 2020.

4. Deferred lease inducement:

In 2014, the Company had received $207,639 in tenant inducements, of which $31,944 (2019 - $31,944) is recorded as a reduction to premises expense during the year ended March 31, 2020. The unamortized balance of $23,958 (2019 - $55,902) is included in deferred lease inducement.

5. Loan facility:

The Company has a demand revolving loan facility of $500,000 (2019 - $500,000) which was not drawn upon at March 31, 2020 (2019 - nil).

6. Tangible capital assets:

2020	Opening balance	Additions	Disposals	Closing balance
Cost:				
Furniture and fixtures	$ 165,893	$ 66,889	$ (15,500)	$ 217,282
Computer hardware and system software	6,211,950	23,762	(286,302)	5,949,410
CAD	3,374,073	35,631	-	3,409,704
RMS	7,599,127	-	(8,786)	7,590,341
RTID	826,929	-	-	826,929
Software licenses	2,857,997	-	-	2,857,997
Leasehold improvements	402,334	-	-	402,334
Total cost	$ 21,438,303	$ 126,282	$ (310,588)	$ 21,253,997
Accumulated amortization:				
Furniture and fixtures	$ 73,418	$ 21,348	$ (15,500)	$ 79,266
Computer hardware and system software	3,574,183	750,090	(286,302)	4,037,971
CAD	3,277,619	33,360	-	3,310,979
RMS	7,599,127	-	(8,786)	7,590,341
RTID	713,384	-	-	713,384
Software licenses	2,857,997	-	-	2,857,997
Leasehold improvements	294,016	61,896	-	355,912
Accumulated amortization	$ 18,389,744	$ 866,694	$ (310,588)	$ 18,945,850
Net book value:				
Furniture and fixtures	$ 92,475			$ 138,016
Computer hardware and system software	2,637,767			1,911,439
CAD	96,454			98,725
RMS	-			-
RTID	113,545			113,545
Software licenses	-			-
Leasehold improvements	108,318			46,422
Net book value	$ 3,048,559			$ 2,308,147

6. Tangible capital assets (continued):

2019		Opening balance		Additions		Disposals		Closing balance
Cost:								
Furniture and fixtures	$	162,285	$	3,608	$	-	$	165,893
Computer hardware and system software		4,611,582		1,622,963		(22,595)		6,211,950
CAD		3,322,606		51,467		-		3,374,073
RMS		7,599,127		-		-		7,599,127
RTID		826,929		-		-		826,929
Software licenses		2,857,997		-		-		2,857,997
Leasehold improvements		402,334		-		-		402,334
Total cost	$	19,782,860	$	1,678,038	$	(22,595)	$	21,438,303
Accumulated amortization:								
Furniture and fixtures	$	56,967	$	16,451	$	-	$	73,418
Computer hardware and system software		2,918,952		677,826		(22,595)		3,574,183
CAD		3,265,295		12,324		-		3,277,619
RMS		7,599,127		-		-		7,599,127
RTID		687,644		25,740		-		713,384
Software licenses		2,857,997		-		-		2,857,997
Leasehold improvements		232,120		61,896		-		294,016
Accumulated amortization	$	17,618,102	$	794,237	$	(22,595)	$	18,389,744
Net book value:								
Furniture and fixtures	$	105,318					$	92,475
Computer hardware and system software		1,692,630						2,637,767
CAD		57,311						96,454
RMS		-						-
RTID		139,285						113,545
Software licenses		-						-
Leasehold improvements		170,214						108,318
Net book value	$	2,164,758					$	3,048,559

7. Related party transactions:

The following table summarizes amounts paid to E-Comm by the Company for executive and technical services during the fiscal year.

		2020		2019
Technical services and support	$	2,309,739	$	2,827,116
Employee secondments		3,181,718		2,103,658
Executive services		676,297		386,025
Geographic Information Systems services		-		326,500
Shared facilities services		438,534		374,031

7. Related party transactions (continued):

The above transactions 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 payable and accrued liabilities as at March 31, 2020 is an amount payable of $286,727 (2019 - $1,286,884) to E-Comm for these services.

8. Commitments:

E-Comm agreements:

The following table summarizes the agreements the Company currently has with E-Comm.

	Expiry	Amount per annum
Master Executive and Technical Service Agreement	March 31, 2024	$ 2,977,190
Shared facilities services	December 31, 2021	334,000

Other agreements:

The Company has software license and support services agreements with Morpho Canada Inc. and Versaterm Inc., expiring May 31, 2022 and December 31, 2022, respectively. The future annual amounts of the maintenance fee payments under the terms of the contracts are:

2021	$ 2,974,194
2022	3,046,243
	$ 6,020,437

9. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company is exposed to credit risk with respect to accounts receivable.

The Company assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Company at March 31, 2020 is the carrying value of these assets.

9. Financial risks and concentration of risk (continued):

(a) Credit risk (continued):

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of provision for doubtful accounts at March 31, 2020 is nil (2019 - nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the risk exposures from the prior year.

10. Budget:

The budget information presented in these financial statements was approved by the Board of Directors on March 13, 2019.

11. Impact of COVID-19:

The declaration of the COVID-19 virus as a pandemic by the World Health Organization on March 11, 2020, and the subsequent shut-downs globally, domestically, and locally have had a significant impact on the jurisdictions in which the Company operates or services. The initial impact has had minimal disruptions to the Company's operations and delivery of services. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's future operations, if any, cannot be estimated reliably at this time.