



BRITISH COLUMBIA UNCLAIMED PROPERTY SOCIETY

ANNUAL REPORT 2016



BRITISH COLUMBIA
UNCLAIMED
PROPERTY
SOCIETY

Reuniting Forgotten Dollars with their Rightful Owners

Message from the President and Executive Director

At the BC Unclaimed Property Society (BCUPS) it has always been our goal to reunite British Columbians with their unclaimed funds. We remain committed to providing individuals and organizations with professional, efficient and responsive services as they search for, claim and remit funds.

In 2016 BCUPS introduced the ability for claimants to upload their documents through a secure web portal, and view the status of their claim in real time. This functionality facilitates a more secure transfer of personal information to BCUPS.

BCUPS received approximately \$5,585,000 from holders of unclaimed property in 2016. A substantial portion of this amount represents funds paid into court throughout British Columbia.

BCUPS returned approximately \$1,210,000 of unclaimed funds to rightful owners in 2016, representing more than 500 individual properties. Each property valued over \$50.00 is entered into our online searchable database, and individual location efforts are conducted on all properties valued over \$200.

Over the years, we have established strong relationships with a variety of organizations that hold unclaimed funds throughout British Columbia. These organizations regularly express their appreciation for our services and continue to transfer their unclaimed funds to us.

Under the BCUPS mandate, a total of \$3,728,000 was allocated to Vancouver Foundation for charitable purposes.

We pride ourselves on reuniting rightful owners with their unclaimed property, while simultaneously assisting companies to remit these funds. We look forward to providing this valuable service to British Columbians in 2017.

Floyd Murphy

President

Alena Levitz

Executive Director

vancouver
foundation

In 2003 the Province of British Columbia entered into an agreement with Vancouver Foundation to administer the unclaimed property program. The BC Unclaimed Property Society, which is controlled by the Foundation, acts as the administrator under the provincial *Unclaimed Property Act*.



2016 Snapshot

| | 2016 | 2015 |
|---|-------------|-------------|
| Total money returned to people with unclaimed property | \$1,217,965 | \$978,229 |
| Total properties returned to people with unclaimed property | 521 | 806 |
| Total money received from companies and organizations | \$5,585,293 | \$3,915,730 |
| Total properties received from companies and organizations | 6,926 | 5,497 |
| Total amount donated to Vancouver Foundation | \$3,728,000 | \$3,728,000 |

Submissions (\$)

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| New Unclaimed Property Funds | | |
| Public Guardian & Trustee | 2,194,170 | 1,901,518 |
| Financial Institutions | 736,937 | 815,328 |
| Companies in Liquidation | 38,882 | 346,464 |
| Money order | 8,292 | 221,276 |
| Deposits - not savings | 1,163,374 | 189,448 |
| Real Estate | 77,862 | 127,797 |
| Local Government - Taxes | 7,781 | 47,470 |
| Trust Funds | 11,997 | 32,466 |
| Debt Overpayment | 11,488 | 30,203 |
| Un-administered Estates | 32,625 | 27,934 |
| Securities | 43,267 | 15,408 |
| Courts | 676,817 | 14,737 |
| Manufactured Home Park Act | - | 1,562 |
| Mineral Rights | 390 | 724 |
| Life Insurance | 77,146 | 234 |
| Property Insurance | 668 | 122 |
| Employment Standards | 139,830 | - |
| Residential Tenancy Act | 6,953 | - |
| Closed Pension Plans | 306,814 | - |
| Administered Estates | 50,000 | - |
| Old Unclaimed Property Funds | | |
| Additional Interest | - | 143,039 |
| Total | 5,585,293 | 3,915,730 |

Funds held by BCUPS which are not distributed, form part of an investment account. Income earned from these funds pays for BCUPS operating expenses.

Educating holders of unclaimed property

Many companies don't know their legal obligations regarding the unclaimed property on their books. They also don't know the compelling business case for transferring unclaimed property to the BC Unclaimed Property Society.

Under the *British Columbia Unclaimed Property Act* companies are obliged to try and find the owners of unclaimed property. If they aren't successful, the companies are "required to maintain a database that is available to the public in order to facilitate the return of the unclaimed property to the owner." Companies have to deal with inquiries from potential owners, and substantiate claims.

This takes time, money and resources. Moreover, unclaimed property sitting on company books is unattractive to potential buyers.

The BC Unclaimed Property Society takes over the legal obligation on behalf of holders of unclaimed property, for free. Our office continues to educate holders about this valuable service.

British Columbia Unclaimed Property Society

Financial Statements
(Expressed in thousands of dollars)
December 31, 2016



April 26, 2017

Independent Auditor's Report

To the Directors of British Columbia Unclaimed Property Society

We have audited the accompanying financial statements of British Columbia Unclaimed Property Society, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and fund balances, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Unclaimed Property Society as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the British Columbia Societies Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

British Columbia Unclaimed Property Society

Statement of Financial Position
(Expressed in thousands of dollars)

As at December 31, 2016 with comparative information for 2015

| | December 31, 2016 | | | December 31, 2015 | | |
|--|-------------------|-----------------|------------------|-------------------|-----------------|------------------|
| | Restricted | Unrestricted | Total | Restricted | Unrestricted | Total |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 2,465 | \$ 372 | \$ 2,837 | \$ 4,437 | \$ 515 | \$ 4,952 |
| Accounts receivable | - | 6 | 6 | - | 4 | 4 |
| Prepaid expenses | - | 5 | 5 | - | 3 | 3 |
| | 2,465 | 383 | 2,848 | 4,437 | 522 | 4,959 |
| Investments (note 3) | 23,457 | 748 | 24,205 | 20,846 | 683 | 21,529 |
| Capital assets (note 4) | - | 2 | 2 | - | 8 | 8 |
| Total assets | \$ 25,922 | \$ 1,133 | \$ 27,055 | \$ 25,283 | \$ 1,213 | \$ 26,496 |
| Liabilities and Fund Balances | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued liabilities (note 5(a)) | \$ - | \$ 50 | \$ 50 | \$ - | \$ 17 | \$ 17 |
| Fund Balances | | | | | | |
| Restricted funds | | | | | | |
| Old unclaimed property funds (note 2) | 763 | - | 763 | 770 | - | 770 |
| New unclaimed property funds (note 2) | 25,159 | - | 25,159 | 24,513 | - | 24,513 |
| | 25,922 | - | 25,922 | 25,283 | - | 25,283 |
| Unrestricted fund | - | 1,083 | 1,083 | - | 1,196 | 1,196 |
| | 25,922 | 1,083 | 27,005 | 25,283 | 1,196 | 26,479 |
| Total liabilities and fund balances | \$ 25,922 | \$ 1,133 | \$ 27,055 | \$ 25,283 | \$ 1,213 | \$ 26,496 |

See accompanying notes to the financial statements

Approved by the Board of Directors

W. J. Hallett Director

[Signature] Director

British Columbia Unclaimed Property Society

Statement of Operations and Fund Balances (Expressed in thousands of dollars)

For the year ended December 31, 2016 with comparative information for 2015

| | December 31, 2016 | | | December 31, 2015 | | |
|---|-------------------|--------------|-----------|-------------------|--------------|-----------|
| | Restricted | Unrestricted | Total | Restricted | Unrestricted | Total |
| Revenue | | | | | | |
| Receipts of unclaimed property | | | | | | |
| Old unclaimed property funds | \$ - | \$ - | \$ - | \$ 143 | \$ - | \$ 143 |
| New unclaimed property funds | 5,585 | - | 5,585 | 3,773 | - | 3,773 |
| Investment income (note 3(b)) | - | 568 | 568 | - | 535 | 535 |
| | 5,585 | 568 | 6,153 | 3,916 | 535 | 4,451 |
| Expenses | | | | | | |
| Operating expenses | | | | | | |
| Compensation (note 6) | - | 350 | 350 | - | 367 | 367 |
| Office administration | - | 129 | 129 | - | 135 | 135 |
| Information and technology consulting | - | 83 | 83 | - | 121 | 121 |
| Rent (note 5(a)) | - | 42 | 42 | - | 43 | 43 |
| Management fees (note 5(a)) | - | 37 | 37 | - | 36 | 36 |
| Investment management fees | - | 34 | 34 | - | - | - |
| Amortization | - | 6 | 6 | - | 68 | 68 |
| | - | 681 | 681 | - | 770 | 770 |
| Distributions to claimants | | | | | | |
| Old unclaimed property funds | 7 | - | 7 | 306 | - | 306 |
| New unclaimed property funds | 1,211 | - | 1,211 | 672 | - | 672 |
| Transfers to Vancouver Foundation (note 5(b)) | 3,728 | - | 3,728 | 3,728 | - | 3,728 |
| | 4,946 | 681 | 5,627 | 4,706 | 770 | 5,476 |
| Excess (deficiency) of revenue over expenses | 639 | (113) | 526 | (790) | (235) | (1,025) |
| Fund balances, beginning of year | 25,283 | 1,196 | 26,479 | 26,073 | 1,431 | 27,504 |
| Fund balances, end of year | \$ 25,922 | \$ 1,083 | \$ 27,005 | \$ 25,283 | \$ 1,196 | \$ 26,479 |

See accompanying notes to the financial statements

British Columbia Unclaimed Property Society

Statement of Changes in Fund Balances (Expressed in thousands of dollars)

For the year ended December 31, 2016 with comparative information for 2015

| | December 31, 2016 | | | | December 31, 2015 | | | |
|--|---|---|----------------------|-----------|---|---|----------------------|-----------|
| | Restricted - Old unclaimed property funds | Restricted - New unclaimed property funds | Unrestricted fund | Total | Restricted - Old unclaimed property funds | Restricted - New unclaimed property funds | Unrestricted fund | Total |
| Fund balances, beginning of year | \$ 770 | \$ 24,513 | \$ 1,196 | \$ 26,479 | \$ 933 | \$ 25,140 | \$ 1,431 | \$ 27,504 |
| Excess (deficiency) of revenue over expenses | (7) | 646 | (113) | 526 | (163) | (627) | (235) | (1,025) |
| Fund balances, end of year | \$ 763 | \$ 25,159 | \$ 1,083 | \$ 27,005 | \$ 770 | \$ 24,513 | \$ 1,196 | \$ 26,479 |

See accompanying notes to the financial statements

British Columbia Unclaimed Property Society

Statement of Cash Flows

(Expressed in thousands of dollars)

For the year ended December 31, 2016 with comparative information for 2015

| | 2016 | 2015 |
|--|----------|------------|
| Cash provided by (used in) | | |
| Operations | | |
| Excess (deficiency) of revenue over expenses | \$ 526 | \$ (1,025) |
| Items not affecting cash | | |
| Amortization | 6 | 68 |
| Unrealized loss (gain) on investments | 278 | (35) |
| | 810 | (992) |
| Changes in non-cash operating working capital | | |
| Accounts receivable | (2) | - |
| Prepaid expenses | (2) | (1) |
| Accounts payable and accrued liabilities | 33 | (25) |
| Net cash from operations | 839 | (1,018) |
| Investing | | |
| Realized (gain) loss on disposal of investments | (128) | 117 |
| Proceeds from disposal of investments | 25,349 | 8,912 |
| Purchase of investments | (28,175) | (6,303) |
| Net cash from investing | (2,954) | 2,726 |
| Increase (decrease) in cash and cash equivalents | (2,115) | 1,708 |
| Cash and cash equivalents, beginning of year | 4,952 | 3,244 |
| Cash and cash equivalents, end of year | \$ 2,837 | \$ 4,952 |

See accompanying notes to the financial statements

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

1 Nature of operations

British Columbia Unclaimed Property Society (the Society) was incorporated on March 3, 2003 under the Society Act of the Province of British Columbia.

The Society transitioned to the new British Columbia Societies Act on February 27, 2017.

The purpose of the Society is to act as the administrator under the Unclaimed Property Act (British Columbia) and Unclaimed Property Amendment Act, 2003 (the Act). The Society receives unclaimed property, attempts to locate rightful owners and distributes property to verified claimants.

The Society entered into an Administration Agreement (the Agreement) with the Province of British Columbia (the Province) and Vancouver Foundation on March 11, 2003 whereby the Province appointed the Society to act as the administrator under the Act. The Agreement commenced April 1, 2003 for an initial term of five years, and in 2008, the Province renewed the Agreement for an indefinite term until either party gives one year written notice to terminate the agreement.

2 Significant accounting policies

The financial statements of the Society have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

a) Fund accounting

The Society follows the restricted fund method of accounting for unclaimed property held by the Society. For financial reporting purposes, the accounts have been classified into the following funds:

i) Restricted - Old Unclaimed Property Funds

Pursuant to the Administration Agreement, the Province transferred \$4,000 of unclaimed funds to the Society to satisfy claims prior to April 1, 2003. At the end of the initial term, any unused funds were to be returned to the Province. Subsequently, the Province agreed that the Society should continue to manage these funds until further review by the Province.

The Society recorded the funds received from the Province for the period prior to April 1, 2003 as Restricted Old Unclaimed Property Funds.

ii) Restricted - New Unclaimed Property Funds

Pursuant to the Administration Agreement, funds received after April 1, 2003 are recorded as Restricted New Unclaimed Funds.

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

iii) Unrestricted

The Agreement allows income generated from the investment of the Unclaimed Property to be used for the Society's operating expenses. Income earned on the Unclaimed Property in the Restricted Funds is transferred to the Unrestricted Fund.

b) Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities.

i) Cash and cash equivalents

Cash and cash equivalents consist of balances held with Canadian financial institutions with maturities of 90 days or less.

ii) Investments

Investments consist of guaranteed investment certificates, money market funds, bonds, equities and mortgages. These investments are recorded at their fair values determined, on a trade date basis, on the last business day of the fiscal period. Transaction costs are expensed as incurred.

iii) Other financial instruments

Accounts receivable, accounts payable and accrued liabilities are measured at amortized cost and the fair value approximates the carrying value. All other financial assets and liabilities are measured at fair value.

c) Capital assets

Purchased assets are recorded at cost. Assets in use are amortized over their estimated useful lives. Management has estimated the useful lives to be:

| <u>Asset</u> | <u>Rate</u> |
|--------------------|-----------------------|
| Computer equipment | 3 years straight-line |

d) Related parties

The Society is controlled by Vancouver Foundation which holds the shares in three corporations that are the sole members of the Society.

Transactions with Vancouver Foundation are in the normal course of business and are measured at the amount of consideration established and agreed to by both parties. Details of related party transactions are disclosed in note 5.

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

The Society is required by the Agreement to set aside a certain portion of the Unclaimed Property Funds it receives to meet any contingent liabilities that might arise in future years. The Agreement permits the Society to transfer a portion of remaining unclaimed balances out of the New Unclaimed Property Funds to Vancouver Foundation for charitable purposes in British Columbia.

e) Revenue recognition

Unclaimed property funds received are recognized as revenue to the Restricted Funds upon receipt.

According to the Act, no interest or other earnings accrue or are payable to a claimant in respect of the period after the funds are transferred to the Society. Income earned on unclaimed funds is therefore accounted for as revenue to the Unrestricted Fund. Investment income is recorded on an accrual basis.

f) Distributions to claimants

Payments are made to claimants once the claim is determined to be valid. Amounts paid to claimants are recognized as distributions from the Restricted Funds. Distributions are recorded when paid by the Society.

g) Management estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable; however, actual results could differ from these estimates.

3 Investments

The Society's investments are carried at fair value in accordance with the significant accounting policy disclosed in note 2(b).

a) Investment portfolio

The Society's primary investment objective is the preservation of capital and maximization of income is a secondary objective. The Society aims to ensure sufficient income to meet administrative costs while preserving the existing capital base, over a medium term horizon.

Investments include the following asset types:

i) Guaranteed Investment Certificates (GICs):

The fair market value of the Society's investments in guaranteed investment certificates is \$9,591.

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

ii) Money market funds

The fair market value of the Society's investments in short-term Canadian money market securities is \$4,993.

iii) Fixed income, bonds and mortgage funds

The fair market value of the Society's investments in fixed income, bonds and mortgage investments is \$8,450.

iv) Canadian equities fund

The fair market value of the Society's investments in Canadian equity pooled funds is \$1,171.

b) Investment income:

| | 2016 | | 2015 | |
|---|------|-------|------|-------|
| Investment income | \$ | 718 | \$ | 617 |
| Realized gain (loss) on disposal of investments | | 128 | | (117) |
| Unrealized (loss) gain on investments | | (278) | | 35 |
| | \$ | 568 | \$ | 535 |

4 Capital assets

| | 2016 | | 2015 | |
|--------------------------|------|------|------|------|
| Cost | \$ | 18 | \$ | 18 |
| Accumulated amortization | | (16) | | (10) |
| Net book value | \$ | 2 | \$ | 8 |

There were no additions to capital assets for the year (2015 - \$0). Amortization expense for the year totalled \$6 (2015 - \$68).

5 Related party transactions

a) General operating transactions

The Society subleases office space from Vancouver Foundation, in respect of which it incurred \$42 (2015 - \$43) for the year ended 2016. In addition, for the year ended 2016 the Society paid management service fees of \$37 (2015 - \$36) to Vancouver Foundation for financial, accounting, general management and other administrative services. At December 31, 2016, the Society had a \$11 (2015 - \$1) balance owing to Vancouver Foundation.

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

b) Transfers to Vancouver Foundation

As permitted by the Agreement, the Society transferred \$3,728 (2015 - \$3,728) to Vancouver Foundation for charitable purposes in 2016. Cumulatively the Society has transferred \$31,626 (2015 - \$27,898) to Vancouver Foundation since 2004.

6 Employee compensation

In accordance with the Societies Act, two employees received compensation in excess of \$75 per individual for the year ended 2016. Their combined compensation for the year ended 2016 was \$201.

7 Financial risk management

The Society has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk.

a) Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Market risk comprises interest rate risk, foreign currency risk and equity price risk.

i) Interest rate risk

Interest rate risk is the risk that the market value of the Society's interest bearing financial instruments will fluctuate due to changes in the prevailing interest rates. The Society manages its interest rate risk by investing in a diversified portfolio.

ii) Foreign currency risk

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The Society has nominal exposure to foreign currency risk as its investments are predominantly held in Canadian funds.

iii) Equity price risk

Equity price risk is the risk that the fair value of equity financial instruments will fluctuate due to changes in market prices. The Society is exposed to equity price risk on its equity securities. The Society reduces this risk by investing in securities with a lower level of volatility.

British Columbia Unclaimed Property Society

Notes to Financial Statements
(Expressed in thousands of dollars)

For the year ended December 31, 2016

b) Credit risk

Credit risk is the risk of loss associated with the inability of a counterparty to fulfill its obligations under the terms of a financial instrument. The maximum exposure to credit risk is the carrying value of these investments. Management reduces the Society's exposure to credit risk by holding its cash on deposit at an AA rated Canadian chartered bank, and by investing in bonds with a credit rating primarily of B or above.

c) Liquidity risk

Liquidity risk is the risk the Society cannot meet the demand for cash or fund its obligations as they become due. Management minimizes the Society's exposure to liquidity risk by regularly monitoring cash flow projections and holding a sufficient balance in cash to meet its obligations.

8 Comparative information

The comparative information has been reclassified where applicable to conform with the financial statement presentation used in the current year.

Receipts of unclaimed property, distributions to claimants and transfers to Vancouver Foundation have been presented on the Statement of Operations and Fund Balances. This is to better reflect the purpose of the Society, which is disclosed in note 1. The comparative information has been reclassified from the Statement of Changes in Fund Balances to conform with the financial statement presentation used in the current year.