

Financial Statements of

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

(Formerly E-Comm Emergency Communications for
Southwest British Columbia Incorporated)

Year ended December 31, 2014



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of E-Comm Emergency Communications for British Columbia Incorporated (formerly E-Comm Emergency Communications for Southwest British Columbia Incorporated), which comprise the statement of financial position as at December 31, 2014, the statements of operations and deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of E-Comm Emergency Communications for British Columbia Incorporated as at December 31, 2014 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.

Chartered Accountants

April 23, 2015

Burnaby, Canada

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,528,725	\$ 21,955,144
Accounts receivable	3,428,320	3,853,105
Prepaid expenses	821,304	936,861
Investment in direct finance leases receivable (note 5)	3,195,576	3,445,404
	<u>34,973,925</u>	<u>30,190,514</u>
Investment in PRIMECorp (note 2(a))	1	1
Debt reserve fund (note 3)	1,606,671	1,561,418
Recoverable development costs	20,953	815,964
Costs recoverable from future billings	16,603,320	18,537,778
Long-term portion of prepaid land lease	2,070,707	2,095,960
Long-term portion of prepaid expenses	314,293	235,040
Long-term receivable for decommissioned assets (note 4)	771,121	1,406,221
Long-term portion of investment in direct finance leases receivable (note 5)	8,241,501	11,653,118
Capital assets (note 6)	22,211,832	23,549,708
	<u>\$ 86,814,324</u>	<u>\$ 90,045,722</u>

Liabilities and Deficiency in Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 9,059,036	\$ 6,246,656
Accrued interest payable	1,171,265	1,215,764
Deferred revenue	314,581	177,045
Current portion of long-term debt (note 8)	9,081,627	7,842,041
Other liabilities (note 9)	10,397,033	9,579,143
	<u>30,023,542</u>	<u>25,060,649</u>
Long-term debt (note 8)	55,446,270	64,411,655
Asset retirement obligation (note 10)	1,435,018	1,330,365
	<u>86,904,830</u>	<u>90,802,669</u>
Deficiency in net assets:		
Share capital (note 11)	510	510
Deficit	(91,016)	(757,457)
	<u>(90,506)</u>	<u>(756,947)</u>
Commitments (note 13)		
Contingencies (notes 3)		
	<u>\$ 86,814,324</u>	<u>\$ 90,045,722</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
  Director

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Operations and Deficit

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Radio system	\$ 12,901,154	\$ 17,195,689
Consolidated dispatch system	21,836,695	19,107,888
Contract service fees and miscellaneous revenue	6,744,327	4,621,570
9-1-1 call taking system	3,999,842	3,673,900
CAD system	1,210,453	1,192,117
Records management system	1,060,574	1,026,501
Financing revenue from direct finance leases	748,436	719,395
Tenant recoveries rental	419,280	402,650
Interest income	353,388	288,181
	<u>49,274,149</u>	<u>48,227,891</u>
Direct operating expenses:		
Salaries and benefits	34,085,699	28,756,107
Maintenance and technology	3,039,183	3,191,433
Premises	1,665,330	1,572,480
Professional fees	1,417,375	1,214,628
Employee related	922,432	701,902
Office supplies and communication	520,038	461,394
Other	414,732	381,612
	<u>42,064,789</u>	<u>36,279,556</u>
Other expenses:		
Amortization	3,855,853	7,969,805
Interest on long-term debt	2,615,251	3,256,930
Accretion of asset retirement obligation	58,059	47,734
Writedown of equipment	13,756	14,628
	<u>6,542,919</u>	<u>11,289,097</u>
	<u>48,607,708</u>	<u>47,568,653</u>
Excess of revenue over expenses	666,441	659,238
Deficit, beginning of year	(757,457)	(1,416,695)
Deficit, end of year	<u>\$ (91,016)</u>	<u>\$ (757,457)</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 666,441	\$ 659,238
Items not involving cash:		
Amortization of capital assets	2,919,348	6,787,373
Amortization of prepaid land lease	25,253	25,252
Amortization of recoverable development costs	795,011	1,046,046
Accretion of asset retirement obligation	58,059	47,734
Adjustment to initial fair value of site lease obligation	-	1,241
Amortization of deferred financing costs	116,242	111,133
Interest earned on debt reserve fund	(45,253)	(72,575)
Interest earned on investment in direct finance leases receivable	(748,436)	(719,395)
Writedown of equipment	13,756	14,628
Changes in non-cash operating working capital:		
Accounts receivable	1,059,885	(1,278,535)
Prepaid expenses	36,304	317,019
Costs recoverable from future billings	1,934,458	1,265,977
Accounts payable and accrued liabilities	2,767,881	(1,144,168)
Deferred revenue	137,536	36,233
Other liabilities	817,890	(18,086)
	10,554,375	7,079,115
Financing:		
Repayment of long-term debt	(7,842,041)	(9,062,771)
Issuance of common shares	-	20
	(7,842,041)	(9,062,751)
Investments:		
Acquisition and construction of capital assets	(1,595,228)	(898,693)
Payments received on direct finance leases receivable	4,578,025	4,395,600
Acquisition of assets for lease	(168,144)	(2,261,975)
Acquisition of site lease obligation	46,594	-
	2,861,247	1,234,932
Decrease in cash and cash equivalents	5,573,581	(748,704)
Cash and cash equivalents, beginning of year	21,955,144	22,703,848
Cash and cash equivalents, end of year	\$ 27,528,725	\$ 21,955,144
Interest paid	\$ 4,717,916	\$ 4,900,411

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2014

1. Operations:

E-Comm Emergency Communications for British Columbia Incorporated (formerly E-Comm Emergency Communications for Southwest British Columbia Incorporated) (the "Corporation" or "E-Comm") was incorporated on September 22, 1997 under the Business Corporations Act (British Columbia).

The Corporation provides centralized emergency communications, disaster coordination 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 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, E-Comm 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 Member's 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.

(c) Cash and cash equivalents:

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

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(d) Recoverable development costs:

Development costs, including salaries, operating costs and amortization of capital assets incurred through the pre-operating phase of the Corporation, are being recovered through billings to member agencies over a 12.5 year period, commencing April 1, 2002 for radio, and January 1, 2003 for dispatch.

(e) Costs recoverable through future billings:

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

(f) Prepaid land lease:

The land on which the E-Comm 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.

(g) 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	4.0 years to 25.0 years
Dispatch consoles and voice systems	5.0 years to 12.5 years
Remote dispatch	7.5 years to 10.5 years
Records management system - Fire	4.0 years to 10.0 years
Computer aided dispatch - Fire	4.0 years to 10.0 years
User equipment	7.5 years to 12.5 years
Leasehold improvements	over the term of the lease

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(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.

E-Comm's financial instruments carried at amortized cost include cash and cash equivalents, debt reserve fund, costs recoverable from future billings, accounts payable and accrued liabilities, accrued interest payable 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 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.

(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) 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 useful lives of capital assets for purposes of amortization, revenue recognition, measurement of asset retirement obligations and contingent liabilities. Actual results could differ from those estimates.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(k) 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.

3. Debt reserve fund:

E-Comm 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 \$7,917,700 (2013 - \$7,917,700) are also provided by E-Comm to the MFA as a requirement of the borrowings. The demand notes are callable only if there are additional requirements to be met to maintain the debt reserve fund at a specified level. As management considers payment of the demand notes to be unlikely, no amount for the demand notes has been recorded in the financial statements.

If at any time E-Comm 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 E-Comm from the debt reserve fund are repaid to E-Comm when the respective loan agreements mature. No debt reserve fund installment payments were made during the year (2013 - nil). Interest earned on the debt reserve fund at 2.90% per annum (2013 - 4.87%) amounts to \$45,253 (2013 - \$72,576).

4. Long-term receivable for decommissioned assets:

	2014	2013
PRC Altaris CAD and Telesphere		
Firehall Alerting System (a)	\$ 48,901	\$ 260,929
Microwave ring (b)	1,317,553	1,839,049
	1,366,454	2,099,978
Less current portion	595,333	693,757
Balance, end of year	\$ 771,121	\$ 1,406,221

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Long-term receivable for decommissioned assets (continued):

The long-term receivable for decommissioned assets consists of the following:

- (a) PRC Altaris CAD are the software and hardware components that comprised the computer aided dispatch system, which is now out of service. As the unamortized capital cost of the system is recoverable from all committed agencies, the carrying value at the out-of-service date was 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.
- (b) The Microwave Network is comprised of three rings that are used to connect E-Comm's radio sites to each other and to the central voice radio network switch housed in E-Comm'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.

5. Investment in direct finance leases receivable:

	2014	2013
Minimum lease payments receivable	\$ 13,675,914	\$ 18,054,131
Less imputed interest at 4.65%	2,238,837	2,955,609
	11,437,077	15,098,522
Less current portion of investment in capital lease receivable	3,195,576	3,445,404
	\$ 8,241,501	\$ 11,653,118

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:

Year ending December 31:	
2015	\$ 3,195,576
2016	2,788,636
2017	2,445,701
2018	2,009,602
2019	839,508
Thereafter	158,054
	\$ 11,437,077

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Capital assets:

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Building	\$ 8,461,526	\$ (3,609,189)	\$ 4,852,337	\$ 5,103,245
Furniture, fixtures and building equipment	11,828,565	(9,288,406)	2,540,159	2,243,416
Radio	63,645,072	(51,661,239)	11,983,833	12,862,725
Dispatch consoles and voice systems	3,543,892	(3,212,035)	331,857	666,047
Remote dispatch	3,260,367	(2,871,411)	388,956	386,792
Records management system - Fire	2,289,534	(1,535,726)	753,808	974,064
Computer aided dispatch - Fire	3,537,559	(2,595,577)	941,982	1,194,464
User equipment	1,021,953	(949,661)	72,292	118,955
Leasehold Improvements	375,455	(28,847)	346,608	-
	\$ 97,963,923	\$ (75,752,091)	\$ 22,211,832	\$ 23,549,708

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities as at December 31, 2014 are government remittances payable of \$166,403 (2013 - \$161,783) relating to payroll related taxes.

8. Long-term debt:

	2014	2013
4.65% unsecured note payable, maturing March 24, 2024 (a)	\$ 53,456,473	\$ 60,063,621
3.05% unsecured note payable, maturing June 1, 2022 (b)	8,073,269	8,925,018
2.40% unsecured note payable, maturing October 3, 2023 (c)	4,342,319	4,725,463
	65,872,061	73,714,102
Less:		
Deferred financing costs	1,344,164	1,460,406
	64,527,897	72,253,696
Less:		
Current portion of long-term debt	9,081,627	7,842,041
Balance, end of year	\$ 55,446,270	\$ 64,411,655

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. 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 million. Of the \$170 million, \$110,684,000 has been drawn to date. Long-term debt is currently comprised of the following:

- (a) On March 24, 2008, E-Comm refinanced an existing loan, leaving a balance of \$87 million repayable over sixteen years. The loan has an initial term of ten years at a rate of 4.65%, with the remaining six years subject to refinancing on March 24, 2018.
- (b) On April 9, 2002, E-Comm obtained \$16 million of financing. This loan has a term of 20 years with annual blended principal and interest payments of \$971,881 and a final payment date of June 1, 2022 and bears interest at a rate of 3.05%, with interest calculated and paid semi-annually in each year of the loan.
- (c) On September 23, 2002, E-Comm obtained \$7,684,000 of financing. This loan requires annual blended principal and interest payments of \$416,800, has a final payment date of October 3, 2023 and bears interest at a rate of 2.40%, with interest calculated and paid semi-annually in each year of the loan.

The repayment requirements, net of estimated sinking fund asset balances in the amount of \$44,811,939 (2013 - \$36,969,897) representing payments made to date, under the existing borrowing agreements for long-term debt of the Corporation during the next five years and thereafter are as follows:

Year ending December 31:

2015	\$ 9,081,627
2016	3,469,224
2017	8,784,640
2018	8,576,403
2019	12,563,938
Thereafter	23,396,229
	<hr/>
	\$ 65,872,061

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Other liabilities:

	2014	2013
User equipment (a)	\$ 4,936,212	\$ 5,889,482
Radio (b)	4,304,907	2,806,279
HealthLink BC (c)	188,821	283,976
Fire RMS & CAD (d)	967,093	599,406
Balance, end of year	\$ 10,397,033	\$ 9,579,143

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 2014, a further \$1,048,866 (2013 - \$821,468) was collected as billings received, \$1,852,069 (2013 - nil) was repaid to user agencies, and \$150,067 (2013 - \$63,483) was drawn down for user equipment purchases on behalf of member agencies.
- (b) The Corporation has collected annual payments through radio billings from radio member agencies starting in 2006 for future capital use. The funds collected are recorded as other liabilities until they are spent. In 2014, a further \$2,999,996 (2013 - \$874,998) was collected through billings, \$1,512,907 (2013 - \$1,795,084) was drawn down for equipment purchases, and \$11,539 (2013 - \$7,590) of interest was earned by and allocated to the liability.
- (c) The Corporation has received funds from HealthLink BC for future expenditures. These amounts are recorded as other liabilities until the funds are spent.
- (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 2014, \$396,840 (2013 - \$363,500) was collected through billings and \$29,153 (2013 - nil) was drawn down for equipment purchases.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Asset retirement obligation:

The Corporation has recorded an asset retirement obligation 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:

	2014	2013
Balance, beginning of year	\$ 1,330,365	\$ 1,281,390
Accretion expense	58,059	47,734
Additional site lease obligation	46,594	-
Adjustment to initial fair value of site lease obligation	-	1,241
Balance, end of year	\$ 1,435,018	\$ 1,330,365

The undiscounted estimated cash flows required to settle the obligations range from \$10,000 to \$150,000 during the years 2014 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 3.16% to 5.25% (2013 - 3.46% 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 obligations with an indeterminable date where adequate information is not available to estimate fair value. These amounts are not considered material.

11. Share capital:

(a) Authorized:

350 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.

150 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, 2014

11. Share capital (continued):

(b) Issued:

	2014	2013
28 class A common voting shares (2013 - 28)	\$ 280	\$ 280
23 class B common restricted voting shares (2013 - 23)	230	230
	\$ 510	\$ 510

(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 E-Comm 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.

12. Related party transactions:

Included in accounts receivable is an amount of \$366,324 (2013 - \$35,609) due from PRIMECorp. During the year, the Corporation received contracted service fees of \$2,543,739 (2013 - \$711,582) from PRIMECorp for executive services and technology support services. In 2014, E-Comm entered into a five-year technical services agreement with PRIMECorp for the provision of certain technical planning, management and support services.

13. Commitments:

(a) Operating leases:

(i) The Corporation has entered into leases of land for radio tower sites. These leases expire in future years from 2015 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

2015	\$ 477,046
2016	387,454
2017	366,066
2018	371,185
2019	235,217
Thereafter	1,045,444
	\$ 2,882,412

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

13. Commitments (continued):

(a) Operating leases (continued):

- (ii) The Corporation is committed under vehicles and office equipment operating leases having varying expiry dates to the year 2018. The future minimum payments under the terms of such leases are as follows:

2015	\$	98,451
2016		75,839
2017		61,927
2018		15,889
	\$	252,106

- (iii) The Corporation has entered into a lease for office premises. This lease expires December 31, 2020, and is renewable at the option of the Corporation for another three years. The future minimum payments, excluding the option period, are approximately as follows:

2015	\$	552,458
2016		552,458
2017		563,298
2018		571,041
2019		571,041
Thereafter		571,041
	\$	3,381,337

- (b) E-Comm has entered into a commitment to purchase next generation radio infrastructure, equipment, and associated services of approximately \$23,510,000 relating to the refresh of E-Comm's radio network. The future payments, exclusive of applicable taxes, under the terms of the contract are expected to be approximately as follows:

2015	\$	8,880,000
2016		8,128,000
2017		3,251,000
2018		3,251,000
	\$	23,510,000

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2014

13. Commitments (continued):

(c) Municipal pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the 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 contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 182,000 active members approximately 75,000 retired members and 33,000 inactive members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation as at December 31, 2012 indicated an unfunded liability of \$1,370 million for basic pension benefits. The next valuation will be as at December 31, 2015 with results available later in 2016. Defined contribution plan accounting is applied to the Plan as the 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, Plan assets, and costs to individual entities participating in the Plan. The Corporation paid \$2,017,466 for employer contributions to the plan in fiscal 2014 (2013 - \$1,692,546).

14. Comparative information:

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