Financial Statements of

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

And Independent Auditor's Report thereon

Year ended March 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S 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, 2023;
- 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, 2023, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 28, 2023

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash	$ 5,661,343	$ 5,826,188
Accounts receivable	294,222	173,024
	5,955,565	5,999,212
Liabilities:		
Accounts payable and accrued liabilities (note 7)	999,375	781,486
Deferred contributions (note 4)	64,815	560,787
	1,064,190	1,342,273
Net financial assets	4,891,375	4,656,939
Non-financial assets:		
Tangible capital assets (note 6)	1,932,513	1,890,059
Prepaid expenses	1,222,401	989,007
	3,154,914	2,879,066
Accumulated surplus	$ 8,046,289	$ 7,536,005

Commitments (note 8)
Subsequent event (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:

David Jones Director

Director

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Budget	2023	2022
	(note 10)		
Revenue:			
User service fees	$ 13,756,630	$ 13,769,256	$ 13,206,366
Sales of computer hardware and software licenses	-	228,511	208,172
DEMS - authorized user fees	-	709,581	143,041
Road Safety Initiative project	490,820	495,973	493,015
Interest	46,000	211,281	46,560
Miscellaneous	72,000	31,098	12,663
	14,365,450	15,445,700	14,109,817
Expenses (note 2(g)):			
Salaries and benefits	7,151,050	7,296,480	6,478,404
Maintenance and technology	4,798,410	4,548,799	4,188,322
Amortization of tangible capital assets	1,137,180	984,643	872,375
DEMS - authorized user fees costs	-	709,581	143,041
Premises	442,080	523,301	462,872
Office supplies and communication	456,520	424,155	410,213
Computer hardware and software licenses, cost of sales	-	228,511	208,172
Professional fees	157,830	101,595	179,826
Employee related	125,300	94,740	66,931
Other	32,250	23,611	20,627
	14,300,620	14,935,416	13,030,783
Annual surplus	64,830	510,284	1,079,034
Accumulated surplus, beginning of year	7,536,005	7,536,005	6,456,971
Accumulated surplus, end of year	$ 7,600,835	$ 8,046,289	$ 7,536,005

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Changes in Net Financial Assets

Year ended March 31, 2023, with comparative information for 2022

	Budget	2023	2022
	(note 10)		
Annual surplus	$ 64,830	$ 510,284	$ 1,079,034
Acquisition of tangible capital assets	(2,010,530)	(1,027,097)	(931,718)
Amortization of tangible capital assets	1,137,180	984,643	872,375
Acquisition of prepaid expenses	-	(7,125,439)	(5,549,533)
Use of prepaid expenses	-	6,892,045	5,519,535
Change in net financial assets	(808,520)	234,436	989,693
Net financial assets, beginning of year	4,656,939	4,656,939	3,667,246
Net financial assets, end of year	$ 3,848,419	$ 4,891,375	$ 4,656,939

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Annual surplus	$ 510,284	$ 1,079,034
Item not involving cash:		
Amortization of tangible capital assets	984,643	872,375
Changes in non-cash operating working items:		
Accounts receivable	(121,198)	(92,834)
Prepaid expenses	(233,394)	(29,998)
Accounts payable and accrued liabilities	217,889	(1,519,906)
Deferred contributions	(495,972)	(493,015)
	862,252	(184,344)
Capital:		
Acquisition of tangible capital assets	(1,027,097)	(931,718)
Decrease in cash	(164,845)	(1,116,062)
Cash, beginning of year	5,826,188	6,942,250
Cash, end of year	$ 5,661,343	$ 5,826,188

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, Computer Aided Dispatch System and Digital Evidence Management System are 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").

Per current provincial legislation, the Company collects an annual user service fee per sworn officer in the province of British Columbia. The total amount collected varies each year based on the number of sworn officers and the per officer fee rate. The per officer fee is determined annually as part of the Company's budgeting process.

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.

User service fees, interest and other revenue are 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 are comprised of contributions restricted for the certain purposes. When qualifying expenditures are incurred, the deferred amounts are recognized as revenue at amounts equal to the qualifying expenses.

(d) 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.

(e) 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.

(f) Measurement uncertainty:

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. Actual results could differ from those estimates.

(g) 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.

2. Significant accounting policies (continued):

(h) 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. Adoption of PS 3280, Asset Retirement Obligations Standard:

On April 1, 2022, the Company adopted Canadian public sector accounting standard PS 3280, *Asset Retirement Obligations.* The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on the modified retroactive basis at the date of adoption. The adoption of this standard did not have an impact on the amounts presented in these financial statements.

4. Deferred contributions:

	2023	2022
Balance, beginning of year	$ 560,787	$ 1,053,802
Less: Recognition of deferred contributions in the year	(495,972)	(493,015)
Balance, end of year	$ 64,815	$ 560,787

The Company incurred $495,972 (2022 - $493,015) in qualifying expenditures and recognized this amount as revenue during the year ended March 31, 2023.

5. Loan facility:

The Company has a demand revolving loan facility of $500,000 (2022 - $500,000) which was not drawn upon at March 31, 2023 (2022 - nil).

6. Tangible capital assets:

2023	Opening balance	Additions	Disposals	Closing balance
Cost:				
Furniture and fixtures	$ 223,555	$ -	$ -	$ 223,555
Computer hardware and system software	7,259,415	1,027,097	(877,594)	7,408,918
CAD	3,409,704	-	-	3,409,704
RMS	7,590,341	-	-	7,590,341
RTID	825,885	-	-	825,885
Software licenses	2,545,655	-	-	2,545,655
Leasehold improvements	402,334	-	-	402,334
Total cost	$ 22,256,889	$ 1,027,097	$ (877,594)	$ 22,406,392
Accumulated amortization:				
Furniture and fixtures	$ 123,546	$ 25,989	$ -	$ 149,535
Computer hardware and system software	5,518,260	941,211	(877,594)	5,581,877
CAD	3,360,809	17,443	-	3,378,252
RMS	7,590,341	-	-	7,590,341
RTID	825,885	-	-	825,885
Software licenses	2,545,655	-	-	2,545,655
Leasehold improvements	402,334	-	-	402,334
Accumulated amortization	$ 20,366,830	$ 984,643	$ (877,594)	$ 20,473,879
Net book value:				
Furniture and fixtures	$ 100,009	$ -	$ -	$ 74,020
Computer hardware and system software	1,741,155	-	-	1,827,041
CAD	48,895	-	-	31,452
RMS	-	-	-	-
RTID	-	-	-	-
Software licenses	-	-	-	-
Leasehold improvements	-	-	-	-
Net book value	$ 1,890,059	$ -	$ -	$ 1,932,513

6. Tangible capital assets (continued):

2022	Opening balance	Additions	Disposals	Closing balance
Cost:				
Furniture and fixtures	$ 221,345	$ 2,210	$ -	$ 223,555
Computer hardware and system software	6,347,162	929,508	(17,255)	7,259,415
CAD	3,409,704	-	-	3,409,704
RMS	7,590,341	-	-	7,590,341
RTID	825,885	-	-	825,885
Software licenses	2,857,997	-	(312,342)	2,545,655
Leasehold improvements	402,334	-	-	402,334
Total cost	$ 21,654,768	$ 931,718	$ (329,597)	$ 22,256,889
Accumulated amortization:				
Furniture and fixtures	$ 101,406	$ 22,140	$ -	$ 123,546
Computer hardware and system software	4,702,704	832,811	(17,255)	5,518,260
CAD	3,343,385	17,424	-	3,360,809
RMS	7,590,341	-	-	7,590,341
RTID	825,885	-	-	825,885
Software licenses	2,857,997	-	(312,342)	2,545,655
Leasehold improvements	402,334	-	-	402,334
Accumulated amortization	$ 19,824,052	$ 872,375	$ (329,597)	$ 20,366,830
Net book value:				
Furniture and fixtures	$ 119,939	$ -	$ -	$ 100,009
Computer hardware and system software	1,644,458	-	-	1,741,155
CAD	66,319	-	-	48,895
RMS	-	-	-	-
RTID	-	-	-	-
Software licenses	-	-	-	-
Leasehold improvements	-	-	-	-
Net book value	$ 1,830,716	$ -	$ -	$ 1,890,059

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.

	2023	2022
Technical services and support	$ 2,562,849	$ 2,403,280
Employee secondments	3,853,933	3,329,349
Executive services	787,200	745,775
Shared facilities services	479,851	421,560

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. These transactions are included within the salaries and benefits and premises captions in the statement of operations.

Included in accounts payable and accrued liabilities as at March 31, 2023 is an amount payable of $364,829 (2022 - $314,369) 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	Minimum amount per annum
Master Executive and Technical Service Agreement (“MSA”)	March 31, 2024	$ 3,716,560
Shared facilities services	December 31, 2025	375,670

Under the MSA, the Company will have the right to extend the term for a period of 2-years by giving written notice to E-Comm not less than 12-months before the end of the initial term. Either party may at any time during the term of the agreement terminate it without cause by giving not less than 12-months written notice to the other party.

Other agreements:

The Company has software license and support services agreements with Idemia Identity & Security Canada Inc. and Versaterm Inc., expiring May 31, 2023 and December 31, 2025 respectively. The future annual amounts of the maintenance fee payments under the terms of the contracts are:

2023-2024	$ 3,147,230

The Company has an agreement with Axon Public Safety Canada Inc. to provide access to a Digital Evidence Management System (“DEMS”). The Company will be billed based on the number of authorized users on the platform and the Company with recover the cost of the agreement from the police agencies, as each police agency is responsible for its portion of the DEMS authorized user fee. The future annual amount of the DEMs user fee under the contract is $1,673,200.

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 its cash and accounts receivable. The Company has deposited cash with a reputable financial institution, from which management believes the risk of loss to be remote.

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, 2023 is the carrying value of these assets.

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. There is no provision for doubtful accounts recorded.

(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 9, 2022.

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications did not have any impact on annual surplus or accumulated surplus.

12. Subsequent event:

Subsequent to the 2022-23 fiscal year end, the Company has provided E-Comm with notice to terminate the corporate services (finance, payroll, HR, legal, governance & corporate communications) from the MSA. E-Comm will continue to provide technical services to the Company. A staggered transition plan is in place for final transition of all corporate services by March 31, 2024.