

Financial Statements
(Expressed in thousands of dollars)

**FORENSIC PSYCHIATRIC
SERVICES COMMISSION**

Years ended March 31, 2004 and 2003



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

AUDITORS' REPORT TO THE BOARD OF COMMISSIONERS OF FORENSIC PSYCHIATRIC SERVICES COMMISSION

We have audited the statement of financial position of Forensic Psychiatric Services Commission as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 10, 2004



FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2004 and 2003

	2004	2003
		(restated – note 7(a))
Assets		
Current assets:		
Cash	\$ 718	\$ 7,384
Accounts receivable (note 3)	9,371	1,656
Inventories	80	67
Prepaid expenses	48	90
	<u>10,217</u>	<u>9,197</u>
Capital assets, net (note 4)	1,979	2,525
	<u>\$ 12,196</u>	<u>\$ 11,722</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,866	\$ 6,512
Accrued sick and severance liabilities (note 7(a))	1,368	1,367
Deferred capital contributions (note 8)	1,445	1,845
	<u>8,679</u>	<u>9,724</u>
Net assets:		
Invested in capital assets (note 9(a))	534	680
Unrestricted	2,983	1,318
	<u>3,517</u>	<u>1,998</u>
	<u>\$ 12,196</u>	<u>\$ 11,722</u>

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Commissioner and Chair of the Commission



Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Operations

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
Revenues:		
Provincial Health Services Authority operating grants	\$ 50,282	\$ 49,865
Medical Services Commission	4,108	4,389
Investment income	150	176
Other revenues	194	146
	<u>54,734</u>	<u>54,576</u>
Expenses:		
Compensation and benefits	33,976	33,330
Supplies	2,573	2,630
Sundry	2,275	2,267
Equipment and building services	8,738	9,187
Referred out/contracted services	5,507	4,752
	<u>53,069</u>	<u>52,166</u>
Excess of revenues over expenses before amounts related to capital assets	1,665	2,410
Amounts related to capital assets:		
Amortization of deferred capital contributions	405	384
Amortization of capital assets	(551)	(384)
	<u>(146)</u>	<u>-</u>
Excess of revenues over expenses	\$ 1,519	\$ 2,410

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Changes in Net Assets
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	Invested in capital assets	Unrestricted	Total	
			2004	2003 (restated – note 7(a))
Balance, beginning of year	\$ 680	\$ 1,956	\$ 2,636	\$ 226
Accrued sick and severance liabilities (note 7(a))	-	(638)	(638)	(638)
Balance, beginning of year, as restated	680	1,318	1,998	(412)
Excess (deficiency) of revenues over expenses	(146)	1,665	1,519	2,410
Balance, end of year	\$ 534	\$ 2,983	\$ 3,517	\$ 1,998

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Cash Flows
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 1,519	\$ 2,410
Items not involving cash:		
Amortization of capital assets	551	384
Amortization of deferred capital contributions	(405)	(384)
	<u>1,665</u>	<u>2,410</u>
<u>Changes in non-cash operating items (note 11)</u>	<u>(8,331)</u>	<u>(749)</u>
	(6,666)	1,661
Investments:		
Purchase of capital assets	(5)	(1,011)
Financing:		
Additions to deferred capital contributions	5	154
Reduction of long-term receivable	-	1,023
	<u>5</u>	<u>1,177</u>
Increase (decrease) in cash	(6,666)	1,827
Cash, beginning of year	7,384	5,557
Cash, end of year	<u>\$ 718</u>	<u>\$ 7,384</u>

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

1. Operations:

The Forensic Psychiatric Services Commission (the "Commission") was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health Services on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA") which was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province-wide health care programs and services. PHSA also includes the following members:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's and Women's Health Centre of British Columbia Branch; and
- Red Cross Outpost Hospitals

Effective December 31, 2001 the above noted branch societies were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The Commission remains a crown corporation and it is subject to separate reporting requirements along with those required by the PHSA.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

The Commission is exempt from federal and provincial income and capital taxes.

The Commission is dependent on the Ministry of Health Services, through the Provincial Health Services Authority, to provide sufficient funding to continue operations, replace equipment and complete capital projects.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives of capital assets and the estimation of amounts which may become payable to retiring employees. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(b) Revenue recognition:

The Commission follows the deferral method of accounting for contributions which include government grants and donations.

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not yet received at the end of the year are accrued. Where a portion of a grant relates to future years, it is deferred and recognized in the subsequent year.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted investment income is recognized as revenue when earned.

(c) Inventories:

Inventories are recorded at the lower of weighted average cost and market value.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

2. Significant accounting policies:

(d) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the assets' estimated useful lives at the following rates:

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 10 years

(e) Employee future benefits:

Liabilities are recorded for employee sick and severance benefits as employees render services to earn the benefits. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

Required contributions to multiemployer defined benefit plans are expensed.

(f) Financial instruments:

The Commission's financial instruments include accounts receivable, accounts payable and accrued liabilities and accrued sick and severance liabilities. It is management's opinion that the Commission is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

3. Accounts receivable:

	2004	2003
Provincial Health Services Authority	\$ 8,469	\$ 900
Medical Services Commission	740	693
Related parties (note 12)	-	44
Other	162	19
	\$ 9,371	\$ 1,656

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

4. Capital assets:

2004	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 1,859	\$ 308	\$ 1,551
Equipment	3,480	3,052	428
	\$ 5,339	\$ 3,360	\$ 1,979

2003	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 1,859	\$ 185	\$ 1,674
Equipment	3,475	2,624	851
	\$ 5,334	\$ 2,809	\$ 2,525

5. Accounts payable and accrued liabilities:

	2004	2003
Trade accounts payable and accrued liabilities	\$ 2,627	\$ 3,597
Accrued salaries and benefits payable	1,684	1,103
Accrued vacation payable	1,411	1,541
Related party (note 12)	-	182
Patient trust funds	54	40
Current portion of accrued sick and severance liabilities	90	49
	\$ 5,866	\$ 6,512

6. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations for specific purposes. These deferred contributions will be recorded as revenue in the statement of operations when they are spent.

	2004	2003
Balance, beginning of year	\$ -	\$ 1,246
Amount recognized as revenue	-	(1,246)
Balance, end of year	\$ -	\$ -

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

7. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. The Commission's liabilities are based on an actuarial valuation as at December 31, 2003.

Information about the Commission's defined benefit sick and severance plan is as follows:

	2004	2003
Accrued benefit obligation:		
Sick leave benefits	\$ 27	\$ 26
Severance benefits	1,431	1,390
Total benefit obligation	\$ 1,458	\$ 1,416
Accrued sick and severance liabilities	\$ 1,458	\$ 1,416
Sick and severance plan expense	\$ 90	\$ 84
Benefit paid	48	41

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligation are as follows:

	2004	2003
Discount rate	5.75%	6.25%
Rate of compensation increase	3.9%	5.2%

Compensation levels are assumed to increase by 0.7% per year for the next three years and by 3.9% per year thereafter.

Accrued sick and severance liabilities as at March 31, 2002 were based on an actuarial valuation and were understated by \$638. The impact on these financial statements is to increase accrued sick and severance liabilities as at March 31, 2003 by \$638 and to decrease unrestricted net assets as at March 31, 2002 by \$638.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

7. Employee benefits (continued):

(b) Employee pension benefits:

The Commission and its employees contribute to the Public Service Pension Plan, a multiemployer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*. Employer contributions to the Public Service Pension Plan of \$1,484 (2003 - \$1,361) were expensed during the year. The most recent actuarial valuation of the plan at March 31, 2002 indicated a surplus of \$546,000. The plan covers approximately 53,000 active employees of which approximately 420 are employees of the Commission.

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2004	2003
Deferred capital contributions, beginning of year	\$ 1,845	\$ 2,074
Additional contributions received	5	155
Amounts amortized to revenue	(405)	(384)
Deferred capital contributions, end of year	\$ 1,445	\$ 1,845

9. Invested in capital assets:

(a) The amount invested in capital assets is calculated as follows:

	2004	2003
Capital assets	\$ 1,979	\$ 2,525
Amount financed by deferred capital contributions	(1,445)	(1,845)
	\$ 534	\$ 680

(b) The excess (deficiency) of revenues over expenses related to capital assets is calculated as follows:

	2004	2003
Amortization of deferred capital contributions	\$ 405	\$ 384
Amortization of capital assets	(551)	(384)
	\$ (146)	\$ -

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

9. Invested in capital assets (continued):

(c) The net change in the amount invested in capital assets for the year is calculated as follows:

	2004	2003
Purchase of capital assets	\$ 5	\$ 1,011
Amount funded by deferred capital contributions	(5)	(331)
	\$ -	\$ 680

10. Commitments and contingencies:

(a) Operating lease commitments:

The Commission leases premises and equipment under operating leases. Minimum lease payments for each of the next five years and in total are as follows:

2005	\$ 7,867
2006	264
2007	204
2008	133
2009	47
	\$ 8,515

The Commission leases land and buildings under an operating lease with the British Columbia Buildings Corporation ("BCBC"). Lease payments are for base rent, operating expenses and maintenance costs. The terms and conditions are negotiated annually. Included in the above amounts is \$ 7,493 for lease payments to BCBC for the year ending March 31, 2005.

(b) Legal contingencies:

The nature of the Commission's activities is such that there is litigation pending or in prospect at any time. With respect to unsettled claims at March 31, 2004, management believes the Commission has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Commission's financial position.

Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

11. Supplementary information:

	2004	2003
Changes in non-cash operating items:		
Accounts receivable	\$ (7,715)	\$ (414)
Inventories	(13)	247
Prepaid expenses	42	(34)
Accounts payable and accrued liabilities	(646)	662
Deferred contributions for designated purposes	-	(1,245)
Accrued sick and severance liabilities	1	35
	<hr/>	<hr/>
	\$ (8,331)	\$ (749)

12. Related parties:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by the PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.

During the year, the Commission was involved in the following related party transactions with the other PHSA members listed in note 1:

- (a) For the year ended March 31, 2004, expenses include \$1,665 (2003 - \$1,670) resulting from transactions with other PHSA members.
- (b) At March 31, 2004, accounts receivable include nil (2003 - \$44) and accounts payable include nil (2003 - \$182) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.