Financial Statements of

VANCOUVER COASTAL HEALTH AUTHORITY

Year Ended March 31, 2008

Statement of Management Responsibility

The Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management, the internal auditors and the external auditors four times a year.

The Authority's internal auditor has the responsibility for assessing the management systems and practices of the corporation.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Authority's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Vancouver Coastal Health Authority

Ida Goodreau
President & Chief Executive Officer

Duncan Campbell
Chief Financial Officer & Vice President
System Development & Performance

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

AUDITORS' REPORT

To the Board of
Vancouver Coastal Health Authority

We have audited the statement of financial position of the Vancouver Coastal Health Authority as at March 31, 2008 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Health Authority'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 Health Authority as at March 31, 2008 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

Burnaby, Canada

May 16, 2008

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position
(Amounts expressed in thousands of dollars)

March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated- note 14)
Assets		
Current assets:		
Cash and cash equivalents	$ 60,214	$ 15,978
Short-term investments	11,063	10,606
Accounts receivable (note 2)	80,476	91,997
Inventories of materials and supplies	12,633	13,296
Prepaid expenses	14,490	14,703
	178,876	146,580
Capital assets (note 3)	1,128,960	1,080,116
	$ 1,307,836	$ 1,226,696
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 217,769	$ 169,859
Deferred operating contributions	4,136	5,145
Deferred research contributions	14,711	13,693
Current portion of long-term debt (note 5)	30,172	31,222
Current portion of retirement allowance (note 6(a))	8,657	8,592
Current portion of long-term disability benefits (note 6(b))	5,571	5,142
	281,016	233,653
Long-term debt (note 5)	127,708	136,977
Retirement allowance (note 6(a))	85,550	81,567
Long-term disability benefits (note 6(b))	13,310	21,013
Replacement reserves (note 7)	973	903
Deferred capital contributions (note 8)	940,360	865,516
	1,448,917	1,339,629
Net assets (deficiency):		
Invested in capital assets (note 9)	45,538	62,117
Internally restricted	3,196	3,707
Unrestricted	(189,815)	(178,757)
	(141,081)	(112,933)
Commitments and contingencies (note 10)		
	$ 1,307,836	$ 1,226,696

See accompanying notes to financial statements.

Approved on behalf of the Board:

__________ Director __________ Director

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Operations
(Amounts expressed in thousands of dollars)

Year Ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated- note 14)
Revenues:		
Ministry of Health contributions	$ 1,968,258	$ 1,850,577
Medical Services Plan	166,407	157,139
Other contributions (note 13(a))	147,114	133,564
Amortization of deferred capital contributions	78,935	62,695
Other (note 13(b))	69,271	51,668
Patients, clients and residents (note 13(c))	62,435	56,857
Research contributions	15,768	14,664
	2,508,188	2,327,164
Expenses:		
Compensation and benefits	1,127,711	1,049,147
Distributions to affiliated organizations (note 12(b))	525,980	486,976
Referred out and contracted services (note 13(d))	438,744	419,781
Supplies (note 13(e))	178,225	164,033
Depreciation of capital assets	98,859	84,533
Equipment and building services	76,400	70,054
Sundry (note 13(f))	65,873	65,125
Research	15,768	14,664
Interest	8,776	6,332
	2,536,336	2,360,645
Deficiency of revenues over expenses	$ (28,148)	$ (33,481)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Assets (Deficiency)

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets (Note 9)	Internally restricted	Unrestricted	2008	2007
Balance, beginning of year, as previously stated	$ 62,117	$ 3,707	$ (173,837)	$ (108,013)	$ (75,032)
Restatement (note 14)	0	0	(4,920)	(4,920)	(4,420)
Balance, beginning of year, as restated	62,117	3,707	(178,757)	(112,933)	(79,452)
Deficiency of revenues over expenses	(19,924)	0	(8,224)	(28,148)	(33,481)
Purchase of land	1,353	0	(1,353)	0	0
Transfer to invested in capital assets	1,992	0	(1,992)	0	0
Other transfers	0	(511)	511	0	0
Balance, end of year	$ 45,538	$ 3,196	$ (189,815)	$ (141,081)	$ (112,933)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year Ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated- note 14)
Cash flows from operating activities:		
Deficiency of revenues over expenses	$ (28,148)	$ (33,481)
Items not involving cash:		
Amortization of deferred capital contributions	(78,935)	(62,695)
Depreciation of capital assets	98,859	84,533
	(8,224)	(11,643)
Net change in non-cash operating items (note 11)	57,160	22,494
	48,936	10,851
Cash flows from investing activities:		
Net change in short-term investments	(457)	22,079
Purchase of capital assets (note 11)	(138,926)	(176,295)
	(139,383)	(154,216)
Cash flows from financing activities:		
Capital contributions	153,779	166,681
Repayment of capital lease obligations (note 11)	(11,759)	(10,954)
Repayment of long-term debt	(7,337)	(6,893)
	134,683	148,834
Increase in cash and cash equivalents	44,236	5,469
Cash and cash equivalents, beginning of year	15,978	10,509
Cash and cash equivalents, end of year	$ 60,214	$ 15,978

Supplemental information (note 11)

See accompanying notes to financial statements.

Vancouver Coastal Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("B.C."). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Authority is a registered charity under the *Income Tax Act,* and as such, is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well being of people who live in the Vancouver Coastal region and through referral from outside the region.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 12) and other organizations that provide services under contracts.

1. Significant accounting policies:

(a) Affiliated organizations:

Within the Vancouver Coastal area, there are three denominational health care organizations, Providence Health Care ("PHC"), Bella Coola General Hospital ("Bella Coola") and R.W. Large Memorial Hospital in Bella Bella ("R.W. Large") (collectively the "Affiliates") which have the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. These Affiliates are separate legal entities with separate boards of directors and, accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of these Affiliates are recorded as Ministry of Health contributions, and funds transferred to the Affiliates are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of these Affiliates, information on the equity and results of operations of the Affiliates is provided in Note 12(b) of these financial statements.

(b) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not - for - profit organizations.

(c) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are classified as cash and cash equivalents.

(d) Inventories of materials and supplies:

Inventories of materials and supplies are recorded at the lower of average cost and replacement cost.

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Authority records depreciation on its assets on a straight-line basis over the useful life of the assets as follows:

Buildings	5 – 50 years
Equipment and information systems	3 – 20 years

(f) Asset retirement obligations:

The Authority recognizes asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(g) Internally restricted net assets:

The Authority has internally restricted certain funds for a variety of uses. These uses include repairs and maintenance, capital asset acquisitions, staff training and other sundry uses. Use of these funds is limited to the related terms of reference as approved by management.

(h) Revenue recognition:

The Authority follows the deferral method of accounting for contributions, which include donations and government contributions.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recognized as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the related capital assets are depreciated.

1. Significant accounting policies (continued):

(i) Employee benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits, long-term disability and multiple-employer defined benefit plans as employees render services to earn benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2007 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2007 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(j) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(k) Measurement uncertainty:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include: valuation of accounts receivable and inventory; the determination of obsolescence and useful lives of capital assets for depreciation and revenue from capital contributions; accrued liabilities; long term disability benefits and retirement allowance. Actual results could differ from the estimates.

1. Significant accounting policies (continued):

(l) Financial instruments:

i. Fair value:

Effective April 1, 2007, the Authority adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. The accounting policy was adopted on a prospective basis with no restatement of prior period financial statements.

Section 3855 requires that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held-for-trading. The section also requires that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of (i) unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in the appropriate fund in net assets until the financial asset is derecognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The Authority's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term disability benefits, accounts payable and accrued liabilities, long-term debt, retirement allowance, asset retirement obligations and obligations under capital leases. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of retirement allowance and long-term disability benefits, which are recorded at their actuarial values as disclosed in note 6.

Short-term investments are classified as held for trading and carried at their fair value.

Derivative instruments are recorded on the balance sheet at fair value and changes in the fair value of derivative instruments are recognized in the interim statement of operations. As at March 31, 2008, the Authority does not have any derivative instruments outstanding that would require to be recorded at their fair value.

Adoption of this policy resulted in no material impact to the carrying value of financial assets.

ii. Interest rate risk:

As described in note 5, a portion of the Authority's long-term debt bears interest at a floating rate. Fluctuations in interest rates will impact the cost of financing incurred in the future.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

iii. Credit risk:

The Authority faces credit risk with respect to the collection of its accounts receivable and recovery of short-term investments. There is a concentration of credit risk from the collection of receivables from the Province and recovery of bond principals invested with the Government of Canada. Management does not perceive these concentrations of credit risk to be significant based on the nature of the debtors and historical collection experience.

(m) Future accounting changes:

i. Financial Instruments:

On December 1, 2006, the Canadian Institute of Chartered Accountants (CICA) issued two new accounting standards: Handbook Section 3862, Financial Instruments – Disclosures (Section 3862), and Handbook Section 3863, Financial Instruments – Presentation (Section 3863). These new standards become effective for the Authority on April 1, 2008.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Authority is currently evaluating the impact of this accounting standard for fiscal year 2009.

ii. Inventories:

The CICA issued Section 3031, Inventories, which will replace Section 3030, Inventories. The new standard is effective for fiscal years beginning on or after July 1, 2007, and hence will be effective for the Authority on April 1, 2008. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency.

Management is currently determining the impact of the adoption of these standards on the financial statements for the 2009 fiscal year.

(Tabular amounts expressed in thousands of dollars)

2. Accounts receivable:

	2008	2007
Province of British Columbia		
Alternative Payments Program	$ 15,948	$ 12,155
Medical Services Plan	9,188	7,928
Ministry of Health	9,071	24,782
Health Authorities	7,326	10,367
Other	4,153	4,579
	45,686	59,811
Other	14,087	12,283
Patient fees	11,383	10,308
Hospital foundations	9,733	7,161
Federal government	4,275	4,044
WorkSafeBC	1,747	3,127
Other provinces	1,460	2,489
	88,371	99,223
Less provision for doubtful accounts	7,895	7,226
	$ 80,476	$ 91,997

3. Capital assets:

	Cost	Accumulated depreciation	2008 Net book value	2007 Net book value
Land	$ 23,486	$ 0	$ 23,486	$ 22,133
Buildings	994,664	401,876	592,788	479,620
Equipment and information systems	741,346	507,558	233,788	177,199
Equipment under capital lease	77,875	52,114	25,761	29,460
Buildings under capital lease	111,955	3,511	108,444	110,550
Information systems projects in progress	78,191	0	78,191	112,664
Construction projects in progress	66,502	0	66,502	148,490
	$ 2,094,019	$ 965,059	$ 1,128,960	$ 1,080,116

(Tabular amounts expressed in thousands of dollars)

4. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable and accrued liabilities	$ 123,235	$ 80,470
Accrued vacation pay	51,326	48,506
Salaries and benefits payable	43,208	40,883
	$ 217,769	$ 169,859

5. Long-term debt:

	2008	2007
Gordon & Leslie Diamond Health Care Center capital lease obligation, 5.37% interest maturing August 2036	$ 111,765	$ 111,528
Equipment under capital lease obligations, with weighted average interest rate of 6.27% and maturities to 2017	26,389	29,607
Demand loan, interest at the prime rate, evidenced by a promissory note, payable in blended payments of $35,000 per month	1,027	1,372
Royal Bank term loan, 6.41% interest, payable in blended payments of $568,000 per month expiring March, 2009	6,587	12,766
Mortgages payable to CMHC, 4.71% interest, secured by first charges on properties, payable in blended payments of $121,000 per month, renewable June 2008	12,112	12,926
	157,880	168,199
Less current portion of long-term debt	30,172	31,222
	$ 127,708	$ 136,977

Debt maturing in the subsequent fiscal year and debt with demand features has been classified as current as at March 31, 2008 and 2007, irrespective of scheduled repayment terms.

(Tabular amounts expressed in thousands of dollars)

5. Long term debt (continued):

Required principal repayments on long-term debt for the years ending March 31 are as follows:

2009	$	30,172
2010		7,454
2011		4,490
2012		2,674
2013		1,578
Thereafter		111,512
	$	157,880

6. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or 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 Authority's liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

Information about employee retirement allowance benefits is as follows:

		2008		2007
Accrued benefit obligation	$	79,833	$	81,705
Unamortized amounts		14,374		8,454
Retirement allowance liabilities		94,207		90,159
Less current portion of retirement allowance		8,657		8,592
Long term portion of retirement allowance	$	85,550	$	81,567
Retirement allowance benefits paid	$	5,626	$	3,697
Retirement allowance expense	$	9,674	$	8,831

(Tabular amounts expressed in thousands of dollars)

6. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority's retirement allowance liabilities are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

(b) Long-term disability benefits:

The Healthcare Benefit Trust (the "Trust"), administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially-funded organizations.

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net liabilities are reflected in these financial statements.

The Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

The Authority's liabilities are based on an actuarial valuation, using an early measurement date, as at December 31, 2007. The next expected valuation will be as of December 31, 2008.

(Tabular amounts expressed in thousands of dollars)

6. Employee benefits (continued):

(b) Long-term disability benefits (continued):

Information about employee long-term disability benefits is as follows:

	2008	2007
Accrued benefit obligation	$ 88,083	$ 82,589
Fair value of plan assets	48,414	42,605
Net unfunded obligation, December 31	39,669	39,984
Balance of unamortized amounts	(15,062)	(8,507)
Contributions to plan (January - March)	(5,726)	(5,322)
Accrued long-term disability liabilities	18,881	26,155
Less current portion	5,571	5,142
Long-term portion	$ 13,310	$ 21,013
Long term disability expense	$ 17,618	$ 15,078
Benefits paid	$ 16,950	$ 13,142

Plan assets consist of:

	2008	2007
Debt securities	61%	54%
Foreign equities	20%	26%
Equity securities	19%	20%
	100%	100%

(Tabular amounts expressed in thousands of dollars)

6. Employee benefits (continued):

(b) Long-term disability benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability liabilities are as follows:

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	5.50%	5.00%
Expected long-term rate of return on plan assets	6.75%	6.75%
Rate of benefit increase	2.50%	2.50%

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of $2.1 million (2007 - $1.1 million) were expensed during the year. The most recent actuarial valuation at December 31, 2007 indicated a surplus of $41.1 million. The plan covers approximately 77,000 active employees of which approximately 12,500 are employees of the Authority. The next expected valuation will be as of December 31, 2008.

(c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plans governed by the *B.C. Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $52.7 million (2007 - $48.4 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of $438 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 145,000 active employees, of which approximately 16,000 are employees of the Authority. The next expected valuation will be as of December 31, 2009.

(Tabular amounts expressed in thousands of dollars)

7. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation (“CMHC”) and B.C. Housing Management Commission (“B.C. Housing”), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC or B.C. Housing, respectively.

The change in the replacement reserves is calculated as follows:

	2008	2007
Balance, beginning of year	$ 903	$ 953
Provision for replacement reserve funding	69	68
Interest on replacement reserves	28	24
Expenses	(27)	(142)
	$ 973	$ 903

The replacement reserves by facility are as follows:

	2008	2007
Lions Park Senior Citizens Housing	$ 306	$ 298
Olive Devaud Residence	261	234
Shorncliffe Intermediate Care	113	97
Hilltop House	111	104
Kiwanis Intermediate Care	110	102
Cederview Lodge	72	68
	$ 973	$ 903

(Tabular amounts expressed in thousands of dollars)

8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Deferred capital contributions, beginning of year	$ 865,516	$ 761,530
Ministry of Health	108,993	121,893
Hospital foundations	26,505	19,590
Other	18,281	25,198
	153,779	166,681
	1,019,295	928,211
Less amortization for year	78,935	62,695
Deferred capital contributions, end of year	$ 940,360	$ 865,516

Deferred capital contributions are comprised of the following:

	2008	2007
Contributions used to purchase capital assets	$ 925,542	$ 849,800
Unspent contributions	14,818	15,716
	$ 940,360	$ 865,516

9. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 1,128,960	$ 1,080,116
Amount financed by:		
Deferred capital contributiions	(925,542)	(849,800)
Long-term debt	(157,880)	(168,199)
	$ 45,538	$ 62,117

(Tabular amounts expressed in thousands of dollars)

9. Invested in capital assets (continued):

(b) Deficiency of revenues over expenses:

	2008	2007
Amortization of deferred capital contributions	$ 78,935	$ 62,695
Depreciation of capital assets	(98,859)	(84,533)
	$ (19,924)	$ (21,838)

(c) Transfer to invested in capital assets:

	2008	2007
Acquisition of capital assets	$ 147,703	$ 225,299
Amounts funded by deferred capital contributions	(154,677)	(167,720)
Amounts funded by long-term debt	(8,777)	(49,004)
Purchase of land	(1,353)	0
Repayment of long-term debt	19,096	17,847
	$ 1,992	$ 26,422

10. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2009	$ 23,222
2010	23,914
2011	20,896
2012	18,895
2013	15,929
Thereafter	92,411
	$ 195,267

10. Commitments and contingencies (continued):

(b) Litigation and claims:

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2008, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

(d) Asset retirement obligations:

The Authority has accrued asset retirement obligations for certain buildings on the Vancouver General Hospital site that are contractually required to be demolished as part of a zoning agreement with the City of Vancouver. The aggregate amount of the liability relating to the demolition of these buildings can be reasonably determined as of March 31, 2008 as $7.4 million (2007 – $8.0 million). During the year, $0.9 million of expenses were incurred against the asset retirement obligations and the obligation was accreted by $0.3 million.

The Authority has identified significant asset retirement obligations relating to asbestos removal in several of its facilities. At this time, the Authority has not recognized these asset retirement obligations as there is an indeterminate settlement date of the future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated. The asset retirement obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

(e) Letter of credit:

The Authority has issued through a Chartered Bank a letter of credit to the City of Vancouver (the "City") in the amount of $2.1 million in support of a commitment under a building permit. The letter of credit can be drawn on by the City only if the Authority does not fulfill its commitment under the permit. No amount is recorded in the financial statements in respect of this letter of credit.

(Tabular amounts expressed in thousands of dollars)

11. Statement of cash flows:

(a) Net change in non-cash operating items:

		2008		2007
Accounts receivable	$	11,521	$	87,459
Inventories of materials and supplies		663		1,072
Prepaid expenses		213		2,613
Accounts payable and accrued liabilities		47,910		(66,084)
Deferred operating contributions		(1,009)		(1,551)
Deferred research contributions		1,018		(80)
Retirement allowance		4,048		5,133
Long-term disability benefits		(7,274)		(6,018)
Replacement reserves		70		(50)
	$	57,160	$	22,494

(b) Purchase of capital assets:

Assets acquired or construction projects in progress under capital lease are non-cash transactions and are excluded from purchase of capital assets on the statement of cash flows.

		2008		2007
Acquisition of capital assets (note 9 (c))	$	147,703	$	225,299
Assets acquired under capital lease (note 9 (c))		(8,777)		(49,004)
Purchase of capital assets	$	138,926	$	176,295

(c) Interest paid:

During the year the Authority paid interest of $8.8 million (2007 - $6.3 million).

(Tabular amounts expressed in thousands of dollars)

12. Related party and other agency operations:

(a) Hospital foundations:

The following hospital foundations raise funds for patient care for various facilities within the Authority:

Lions Gate Hospital Foundation
Pemberton and District Health Care Foundation
Powell River Hospital Foundation
Richmond Hospital Foundation
St. Mary's Hospital Foundation
Squamish Health Care Foundation
VGH and UBC Hospital Foundation
Whistler Health Care Foundation

The financial statements of the foundations have not been consolidated with those of the Authority. As at March 31, 2008, the foundations, in aggregate, held net assets of $123.0 million (2007 - $113.3 million). During the year, the foundations granted $38.4 million (2007 - $28.8 million) to various facilities within the Authority.

(b) Affiliated organizations:

The financial statements of the Affiliates are not consolidated with the Authority. The excess (deficiency) of revenues over expenses and net equity (deficit) of these affiliates is as follows:

	2008	2007
Deficiency of revenues over expenses:		
Providence Health Care	$ (7,021)	$ (11,518)
Bella Coola General Hospital	(237)	(66)
R.W. Large Memorial Hospital	(296)	(505)
	$ (7,554)	$ (12,089)
Net assets (deficiency):		
Providence Health Care	$ (59,434)	$ (52,413)
Bella Coola General Hospital	335	573
R.W. Large Memorial Hospital	(245)	51
	$ (59,344)	$ (51,789)

Included in accounts receivable is $2.2 million (2007 - $4.2 million) due from PHC, $0.4 million (2007 - $0.9 million) due from R.W. Large, $0.6 million (2007 - $0.4 million) from Bella Coola. Included in accounts payable is $3.9 million (2006 - $3.4 million) due to PHC.

(Tabular amounts expressed in thousands of dollars)

13. Statement of operations:

(a) Other contributions:

	2008	2007
Provincial Health Services Authority	$ 129,677	$ 119,583
Other B.C. government entities	12,751	11,294
Other entities	4,686	2,687
	$ 147,114	$ 133,564

(b) Other revenue:

	2008	2007
Sales to B.C. government entities	$ 36,436	$ 35,384
Other	32,835	16,284
	$ 69,271	$ 51,668

(c) Patients, clients and residents:

	2008	2007
Long-term and extended care	$ 20,360	$ 19,132
Non-residents	18,485	16,146
Residents of B.C. self pay	9,396	8,259
WorkSafeBC	8,429	8,452
Preferred accommodation	5,254	4,152
Other	511	716
	$ 62,435	$ 56,857

(d) Referred out and contracted services:

	2008	2007
Referred out residential care	$ 228,240	$ 216,576
Referred out community care	145,735	142,021
Contracted food services	24,476	22,726
Contracted housekeeping	19,298	18,416
Contracted laundry	10,949	10,668
Contracted security	6,643	6,216
Other referred out services	3,403	3,158
	$ 438,744	$ 419,781

(Tabular amounts expressed in thousands of dollars)

13. Statement of operations (continued):

(e) Supplies:

	2008	2007
Medical, surgical and patient	$ 86,820	$ 78,185
Drugs and medical gases	49,747	47,122
Other	15,652	14,426
Diagnostic	15,184	14,980
Office	5,675	5,800
Plant and facilities	5,147	3,520
	$ 178,225	$ 164,033

(f) Sundry:

	2008	2007
Professional, management and membership fees	$ 24,430	$ 22,309
Rent	12,435	12,773
Communications and data processing	11,671	12,535
Other	9,334	10,226
Travel	8,003	7,282
	$ 65,873	$ 65,125

14. Accounting restatement:

During the year management determined that payroll accruals relating to vacation and overtime did not include any amount in respect of benefits such as Canada Pension Plan, Employment Insurance, Workers Compensation, and employee pensions. As a result, the financial statements have been restated on a retroactive basis. The effect of the restatement has been to: increase accounts payable and accrued liabilities at March 31, 2007 by $4.9 million; reduce opening unrestricted net assets for the years ended March 31, 2008 and 2007 by an equivalent amount; and increase the deficiency of revenues over expenses for the year ended March 31, 2007 by an amount of $0.5 million.

15. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year's financial statement presentation.