

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2014

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2014 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. 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 Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

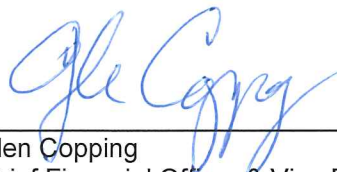
The Authority's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The external auditors, the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Vancouver Health Authority



Mary Ackenhusen
President & Chief Executive Officer



Glen Copping
Chief Financial Officer & Vice President,
System Development & Performance

Vancouver, BC
June 18, 2014



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of Vancouver Coastal Health Authority, and
To the Minister of Health, Province of British Columbia*

I have audited the accompanying financial statements of Vancouver Coastal Health Authority (“the entity”), which comprise the statement of financial position as at March 31, 2014, and the statement of operations and accumulated deficit, statement of changes in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.


Opinion

In my opinion, the financial statements of Vancouver Coastal Health Authority for the year ended March 31, 2014, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 1(a) to the financial statements, which describes the basis of accounting used in the preparation of these financial statements. Note 21 of the financial statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.

Victoria, British Columbia
June 27, 2014


Russ Jones, MBA, CA
Auditor General

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

As at March 31, 2014

	2014	2013
Financial assets		
Cash and cash equivalents (note 2)	\$ 195,270	\$ 102,681
Portfolio investments (note 2)	15,000	70,408
Accounts receivable (note 3)	77,277	94,019
Loan receivable (note 4)	5,242	5,376
Assets available for sale (note 5)	-	3,091
Long-term disability benefits (note 11(b))	54,406	2,358
	<u>347,195</u>	<u>277,933</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	303,436	274,570
Deferred operating contributions (note 7)	3,260	2,763
Deferred research and designated contributions (note 8)	9,009	11,491
Obligation under capital lease (note 9)	109,834	110,551
Debt (note 10)	5,473	6,925
Retirement allowance (note 11(a))	119,289	115,317
Replacement reserves (note 12)	940	869
Deferred capital contributions (note 13)	881,699	844,393
	<u>1,432,940</u>	<u>1,366,879</u>
Net debt	\$ (1,085,745)	\$ (1,088,946)
Non-financial assets		
Tangible capital assets (note 14)	839,875	812,583
Tangible capital assets under lease (note 14)	94,966	97,201
Inventories held for use (note 15)	7,203	8,248
Prepaid expenses	31,705	18,386
	<u>\$ 973,749</u>	<u>\$ 936,418</u>
Accumulated deficit	\$ (111,996)	\$ (152,528)

Commitments and contingencies (note 16)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

Kip Woodward, Board Chair

 Director

Daniel Nocente, Chair Audit & Finance Committee

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Operations and Accumulated Deficit
(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

	2014 Budget (note 1(o))	2014	2013
Revenues:			
Ministry of Health contributions	\$ 2,412,637	\$ 2,427,507	\$ 2,353,271
Medical Services Plan	203,961	206,035	205,584
Other contributions (note 17(a))	153,859	174,128	191,663
Recoveries from other health authorities and BC government reporting entities	108,431	124,621	114,539
Patients, clients and residents (note 17(b))	80,828	83,323	83,053
Amortization of deferred capital contributions (note 13)	77,219	80,656	97,683
Other	23,730	29,479	20,300
Research and designated contributions (note 8)	16,000	20,647	21,725
Investment income	2,160	1,060	3,751
	<u>3,078,825</u>	<u>3,147,456</u>	<u>3,091,569</u>
Expenses (note 17(c)):			
Acute	1,778,940	1,821,857	1,785,570
Residential care	430,577	445,405	426,451
Mental health and substance use	288,843	282,922	277,127
Corporate	247,204	247,603	272,808
Community care	233,947	230,529	229,521
Population health and wellness	99,314	98,859	99,909
	<u>3,078,825</u>	<u>3,127,175</u>	<u>3,091,386</u>
Annual surplus before gain on sale of assets available for sale	\$ -	\$ 20,281	\$ 183
Gain on sale of assets available for sale (note 5)	-	20,251	-
Annual surplus after gain on sale of assets available for sale	\$ -	\$ 40,532	\$ 183
Accumulated deficit, beginning of year	(152,528)	(152,528)	(152,711)
Accumulated deficit, end of year	<u>\$ (152,528)</u>	<u>\$ (111,996)</u>	<u>\$ (152,528)</u>

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Debt

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

	2014 Budget (note 1(o))	2014	2013
Annual surplus	\$ -	\$ 40,532	\$ 183
Acquisition of tangible capital assets	(112,727)	(110,684)	(72,320)
Amortization of tangible capital assets	82,006	85,472	104,090
Write-down of tangible capital assets	-	155	9,263
Transfer of tangible capital assets	-	-	3,091
	(30,721)	15,475	44,307
Acquisition of inventories held for use	-	(205,655)	(186,559)
Acquisition of prepaid expenses	-	(43,858)	(28,310)
Consumption of inventories held for use	-	206,700	186,283
Use of prepaid expenses	-	30,539	26,530
	-	(12,274)	(2,056)
(Increase) decrease in net debt	(30,721)	3,201	42,251
Net debt, beginning of year	(1,088,946)	(1,088,946)	(1,131,197)
Net debt, end of year	\$ (1,119,667)	\$ (1,085,745)	\$ (1,088,946)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

	2014	2013
Cash flows from operating activities:		
Annual surplus	\$ 40,532	\$ 183
Items not involving cash:		
Amortization of deferred capital contributions	(80,656)	(97,683)
Amortization of tangible capital assets	85,472	104,090
Gain on sale of assets available for sale	(20,251)	-
Write-down of tangible capital assets	155	9,263
Write-down of deferred capital contributions	(155)	(6,409)
Retirement allowance expense	11,370	12,185
Revenue from non-long term disability pool surplus	(6,293)	-
Long term disability benefits expense (recovery)	(7,227)	39,663
Interest expense	6,511	6,165
Interest income	(1,060)	(3,751)
	<u>28,398</u>	<u>63,706</u>
Net change in non-cash operating items (note 18(a))	31,143	(15,932)
Interest paid	(6,511)	(6,165)
Interest received	1,337	3,366
Net change in cash from operating activities	<u>54,367</u>	<u>44,975</u>
Capital activities:		
Proceeds from disposal of assets available for sale	23,342	-
Acquisition of tangible capital assets (note 18(b))	(110,684)	(72,320)
Net change in cash from capital activities	<u>(87,342)</u>	<u>(72,320)</u>
Investing activities:		
(Investments in) proceeds from redemption of portfolio investments	55,408	(20,469)
Proceeds from loan receivable	134	145
Net change in cash from investing activities	<u>55,542</u>	<u>(20,324)</u>
Financing activities:		
Repayment of obligation under capital lease	(717)	(2,889)
Retirement allowance contributions	(7,398)	(6,933)
Long-term disability benefits contributions	(38,528)	(24,121)
Repayment of debt	(1,452)	(1,104)
Capital contributions	118,117	76,299
Net change in cash from financing activities	<u>70,022</u>	<u>41,252</u>
Increase (decrease) in cash and cash equivalents	92,589	(6,417)
Cash and cash equivalents, beginning of year	102,681	109,098
Cash and cash equivalents, end of year	<u>\$ 195,270</u>	<u>\$ 102,681</u>

Supplementary cash flow information (note 18)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

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 ("BC"). 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 those referred from outside the region.

1. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Authority are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- (ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met by the Authority.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, Government Transfers;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, Restricted Assets and Revenue; and
- deferred contributions meet liability criteria in accordance with PS 3200, Liabilities.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 21.

(b) Basis of presentation:

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (see note 19(b)).

(c) Affiliated organizations:

Within the Authority 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 19(c) of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(e) Portfolio investments:

Portfolio investments include guaranteed investment certificates and bonds and are recorded at cost adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(f) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

(g) Assets available for sale:

Assets available for sale are those expected to be sold within one year. They are valued at the lower of cost, less accumulated amortization, or expected net realizable value. Cost includes amounts for improvements to prepare the assets for sale.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefit plans as employees render services to earn the 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. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 - 10 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Authority to pay benefits occurs.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(i) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Buildings	5 - 50 years
Equipment and information systems	3 - 20 years
Leasehold improvements	lease term
Buildings under capital lease	Lease term

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Leased tangible capital assets:

Tangible capital assets acquired under a lease which transfers substantially all of the benefits and risks incidental to ownership of property are recorded as leased tangible capital assets with an offsetting obligation under capital lease. All other leases are accounted for as operating leases and the related payments are charged to expense as incurred.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the Authority's rate for incremental borrowing or the interest rate implicit in the lease. Note 9 provides a schedule of repayments and amount of interest on the leases.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

(j) Prepaid expenses:

Prepaid expenses include cash disbursements for future events, and operational costs, which will be charged to expense over the periods expected to benefit from it.

(k) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their 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.

Contributions for the acquisition of land, or the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(l) Measurement uncertainty:

The preparation of 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 revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(m) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date.

(n) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. Loans receivable are recorded at cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

1. Significant accounting policies (continued):

(n) Financial instruments (continued):

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(o) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2013/2014 Budget approved by the Board of Directors on March 7, 2013 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and accumulated deficit and the statement of changes in net debt.

(p) Future accounting standards:

In June 2010, PSAB issued PS 3260, Liability for Contaminated Sites. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

PS 3260 is effective for the Authority's fiscal year ending March 31, 2015. Management is continuously assessing the potential impact of adoption of PS 3260 on the financial statements of the Authority. The magnitude of the impact of PS 3260 on the financial statements will depend on the existence of contaminated sites as at March 31, 2015, if any.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

2. Cash and cash equivalents and portfolio investments:

	2014	2013
Cash and cash equivalents	\$ 195,270	\$ 102,681
Portfolio investments	15,000	70,408
	210,270	173,089
Amounts restricted for capital purposes	(82,549)	(68,557)
Amounts restricted for research and designated purposes	(18,241)	(18,243)
Amounts restricted for replacement reserves	(940)	(869)
Amounts restricted for patient comfort funds	(540)	(498)
Unrestricted cash and cash equivalents and portfolio investments	\$ 108,000	\$ 84,922

3. Accounts receivable:

	2014	2013
Other health authorities and BC government reporting entities	\$ 47,700	\$ 39,378
Ministry of Health	8,318	19,783
Foundations and auxiliaries	8,003	9,701
Medical Services Plan	7,998	6,526
Patients, clients and residents	4,245	4,865
Federal government	4,061	3,324
WorkSafeBC	2,159	2,279
Other	7,179	13,331
	89,663	99,187
Allowance for doubtful accounts	(12,386)	(5,168)
	\$ 77,277	\$ 94,019

4. Loan receivable:

The loan consists of funds advanced for the repayment of a debt related to the Vancouver General Hospital ("VGH") Parkade. The debt was repaid on behalf of 578583 BC Ltd., a corporation which is the trustee of the VGH Parkade Trust (the "Trust") and is wholly owned by the VGH and UBC Hospital Foundation.

The Trust was created by agreement between the Authority and 578583 BC Ltd. In its capacity as the trustee of the Trust, 578583 BC Ltd. holds beneficial ownership in the VGH Parkade and earns the associated revenue.

The loan receivable from 578583 BC Ltd. earns interest at a variable rate which equals the RBC prime rate, currently 3.0%, and will mature in February 2016.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

5. Assets available for sale:

Certain owned properties were identified in the fiscal year ended March 31, 2013 for disposition with the goal of optimizing both the value and use of assets to support the strategic goals of the Authority. These properties were also identified as target properties for the government's Asset Realization Strategy. During the the fiscal year ended March 31, 2014, the two properties identified for disposition in the previous year, as well as one additional property identified in the current year, were sold. Net proceeds from the disposition have been recognized to income in Fiscal 2014 as a gain on sale of assets available for sale in the amount of \$20.3 million.

6. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accrued liabilities	\$ 162,997	\$ 151,340
Salaries and benefits payable	81,419	64,891
Accrued vacation pay	59,020	58,339
	<u>\$ 303,436</u>	<u>\$ 274,570</u>

The Authority has accrued obligations for certain buildings on the Vancouver General Hospital ("VGH") site that are contractually required to be demolished as part of a zoning agreement with the City of Vancouver. Included in trade accounts payable and accrued liabilities is \$6.2 million (2013 - \$5.9 million) for the aggregate amount of the liability relating to the demolition of these buildings.

7. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes, including grants from provincial ministries for various programs (including mental health, youth services, speech pathology and special needs). Other funds received are used for "go green" projects, maintenance of certain equipment and to further the wellbeing of the Authority's employees. Funds received for exchange transactions, environmental health permits and parking paid in advance, are also recorded as deferred operating contributions and recognized throughout the fiscal year.

	2014	2013
Deferred operating contributions, beginning of year	\$ 2,763	\$ 4,185
Contributions received during the year	2,869	2,456
Amounts recognized as revenue in the year	(2,372)	(3,878)
Deferred operating contributions, end of year	<u>\$ 3,260</u>	<u>\$ 2,763</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

8. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities through the Vancouver Coastal Health Research Institute and the Prostate Research Centre. Contributions are received from pharmaceutical companies and other donors for various research projects to promote the health and wellbeing of residents within the region.

	2014	2013
Deferred research and designated contributions, beginning of year	\$ 11,491	\$ 13,762
Contributions received during the year	18,165	19,454
Amounts recognized as revenue in the year	(20,647)	(21,725)
Deferred research and designated contributions, end of year	\$ 9,009	\$ 11,491

9. Obligation under capital lease:

	2014	2013
Building under capital lease obligation, with weighted average interest rate of 5.37% and maturities to 2036	\$ 109,834	\$ 110,551
	\$ 109,834	\$ 110,551

Future minimum lease payments for the years ending March 31 are as follows:

2015	\$ 6,675
2016	6,841
2017	7,021
2018	7,201
2019	7,381
Thereafter	162,245
Total minimum lease payments	197,364
Amounts representing interest	(87,530)
	\$ 109,834

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

10. Debt:

	2014	2013
Canada Mortgage and Housing Corporation ("CMHC"), secured by first charges on properties, payable in monthly (blended) payments of \$88, including annual interest of 1.99%, renewable January 2019	\$ 5,473	\$ 6,925
	\$ 5,473	\$ 6,925

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

2015	\$	1,041
2016		1,041
2017		1,000
2018		1,021
2019		439
Thereafter		931
	\$	5,473

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

11. 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 or employee 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 the early measurement date of December 31, 2013 and extrapolated to March 31, 2014 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2014 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	2014	2013
Accrued benefit obligation:		
Severance benefits	\$ 62,812	\$ 59,346
Sick leave benefits	49,967	46,656
	112,779	106,002
Unamortized actuarial gain	6,510	9,315
Accrued benefit obligation	\$ 119,289	\$ 115,317

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:

	2014	2013
Accrued benefit obligation, beginning of year	\$ 115,317	\$ 113,781
Net benefit expense:		
Current service cost	7,636	7,567
Interest expense	4,681	4,867
Plan amendment	-	772
Amortization of actuarial gain	(947)	(1,021)
Net benefit expense	11,370	12,185
Benefits paid	(7,398)	(6,933)
Accrued benefit obligation transferred to other health authorities	-	(3,716)
Accrued benefit obligation, end of year	\$ 119,289	\$ 115,317

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

11. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust 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 Authority and all other participating employers are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(i) Long-term disability benefits:

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 trust assets are reflected in these financial statements.

The Authority's assets are based on the actuarial valuation at December 31, 2013, with the next expected valuation as of December 31, 2014.

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

The long-term disability benefits asset (obligation) reported on the consolidated statement of financial position is as follows:

	2014	2013
Fair value of plan assets	\$ 204,609	\$ 163,205
Accrued benefit obligation	150,203	167,203
Net funded asset (obligation), December 31	54,406	(3,998)
Contributions to the plan (January - March)	-	6,356
Long-term disability benefits asset, end of year	\$ 54,406	\$ 2,358
	2014	2013
Long-term disability benefits asset, beginning of year	\$ 2,358	\$ 17,900
Net benefit recovery (expense):		
Long-term disability expense	(21,000)	(27,511)
Interest expense	(9,127)	(7,924)
Employee payments	1,793	1,690
Expected return on assets	9,453	8,487
Actuarial gain (loss)	32,002	(14,405)
Net benefit recovery (expense)	13,121	(39,663)
Contributions to the plan	38,528	24,121
Revenue from non-long term disability pool surplus	6,293	-
Adjustment to asset position	(5,894)	-
Long-term disability benefits asset, end of year	\$ 54,406	\$ 2,358
Benefits paid to claimants	\$ (27,604)	\$ (26,041)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2014	2013
Debt securities	44%	52%
Foreign equities	40%	26%
Equity securities and other	16%	22%
Total	100%	100%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability benefits asset (obligation) are as follows:

	2014	2013
Accrued benefit asset as at March 31:		
Discount rate	5.80%	5.60%
Rate of benefit increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.50%
Rate of benefit increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.50%

Actual long-term rate of return on plan assets was 14.3% for the year ended December 31, 2013 (December 31, 2012 – 6.0%).

(ii) Other Trust benefits:

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 \$1.6 million (2013 - \$1.7 million) were expensed during the year. The most recent actuarial valuation at December 31, 2013 indicated a surplus of \$62.5 million (2013 - \$62.5 million). The plan covers approximately 90,000 active members, of which approximately 16,000 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2014.

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

11. Employee benefits (continued):

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$71.3 million (2013 - \$69.3 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, 2012 indicated an unfunded liability of approximately \$1,370.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 16,000 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2015.

In 1988, there were Plan Rule changes which required an employee to contribute to the Plan with all employers. This change was not clearly communicated to employers until August 2003, and arrears, where applicable, are being assessed from this date. The Authority has been assessed for arrears in the amount of \$4.1 million which has been reflected in 2014.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

12. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation ("CMHC") and BC Housing Management Commission ("BC 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 BC Housing, respectively.

The change in the replacement reserves is calculated as follows:

	2014	2013
Replacement reserves, beginning of year	\$ 869	\$ 756
Provision for replacement reserve funding	68	106
Interest on replacement reserves	14	7
Capital payment	(11)	-
Replacement reserves, end of year	\$ 940	\$ 869

The replacement reserves by facility are as follows:

	2014	2013
Olive Devaud Residence	\$ 382	\$ 360
Kiwanis Intermediate Care	156	147
Shorncliffe Intermediate Care	143	128
Lions Park Senior Citizens Housing	127	109
Cedarview Lodge	83	81
Hilltop House	49	44
	\$ 940	\$ 869

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

13. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2014	2013
Deferred capital contributions, beginning of year	\$ 844,393	\$ 872,186
Capital contributions received:		
Ministry of Health	81,031	51,297
Foundations and auxiliaries	29,863	14,301
Regional hospital districts	3,040	8,677
Other	4,183	2,024
	118,117	76,299
	962,510	948,485
Amortization for the year	(80,656)	(97,683)
Write-downs of tangible capital assets	(155)	(6,409)
Deferred capital contributions, end of year	\$ 881,699	\$ 844,393

Deferred capital contributions are comprised of the following:

	2014	2013
Contributions used to purchase tangible capital assets	\$ 799,150	\$ 775,836
Unspent contributions	82,549	68,557
	\$ 881,699	\$ 844,393

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

14. Tangible capital assets:

Cost	2013	Additions	Disposals ⁽¹⁾	Transfers	2014
Land	\$ 17,659	\$ -	\$ -	\$ 44	\$ 17,703
Buildings	1,223,968	-	(2,245)	28,218	1,249,941
Equipment	674,286	27,721	(27,418)	-	674,589
Information systems	311,062	-	(4,029)	1,443	308,476
Leasehold improvements	23,679	1,680	(379)	5,985	30,965
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	30,226	58,636	-	(34,203)	54,659
Equipment and information systems in progress	1,443	22,576	-	(1,443)	22,576
	\$ 2,394,278	\$ 110,613	\$ (34,071)	\$ 44	\$ 2,470,864

Accumulated amortization	2013	Amortization	Disposals ⁽¹⁾	Transfers	2014
Buildings	\$ 588,851	\$ 41,114	\$ (2,117)	\$ -	\$ 627,848
Equipment	567,667	30,096	(27,418)	-	570,345
Information systems	298,455	9,033	(4,029)	-	303,459
Leasehold improvements	14,767	2,993	(379)	-	17,381
Buildings under capital lease	14,754	2,236	-	-	16,990
	\$ 1,484,494	\$ 85,472	\$ (33,943)	\$ -	\$ 1,536,023

⁽¹⁾ Included in disposals is \$0.2 million of write-downs.

Cost	2012	Additions	Disposals ⁽¹⁾	Transfers	2013
Land	\$ 19,984	\$ -	\$ (2,325)	\$ -	\$ 17,659
Buildings	1,162,479	-	(4,572)	66,061	1,223,968
Equipment	669,591	28,073	(23,378)	-	674,286
Information systems	322,208	81	(12,710)	1,483	311,062
Leasehold improvements	23,224	455	-	-	23,679
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	52,627	43,660	-	(66,061)	30,226
Equipment and information systems in progress	2,875	51	-	(1,483)	1,443
	\$ 2,364,943	\$ 72,320	\$ (42,985)	\$ -	\$ 2,394,278

Accumulated amortization	2012	Amortization	Disposals ⁽¹⁾	Transfers	2013
Buildings	\$ 550,914	\$ 41,163	\$ (3,226)	\$ -	\$ 588,851
Equipment	560,370	30,758	(23,461)	-	567,667
Information systems	275,257	27,142	(3,944)	-	298,455
Leasehold improvements	11,986	2,781	-	-	14,767
Buildings under capital lease	12,508	2,246	-	-	14,754
	\$ 1,411,035	\$ 104,090	\$ (30,631)	\$ -	\$ 1,484,494

⁽¹⁾ Included in disposals is \$9.2 million of write-downs

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

14. Tangible capital assets (continued):

Net book value	2014	2013
Land	\$ 17,703	\$ 17,659
Buildings	622,092	635,117
Equipment	104,244	106,619
Information systems	5,017	12,607
Leasehold improvements	13,584	8,912
Buildings under capital lease	94,966	97,201
Construction in progress	54,659	30,226
Equipment and information systems in progress	22,576	1,443
	<u>\$ 934,841</u>	<u>\$ 909,784</u>

Contributed tangible capital assets total \$0.5 million (2013 - \$-.)

Tangible capital assets are funded as follows:

	2014	2013
Deferred capital contributions	\$ 799,150	\$ 775,836
Debt	115,307	117,679
Internally funded	20,384	16,269
Tangible capital assets	<u>\$ 934,841</u>	<u>\$ 909,784</u>

15. Inventories held for use:

	2014	2013
Pharmaceuticals	\$ 5,413	\$ 5,979
Medical supplies	1,790	2,269
	<u>\$ 7,203</u>	<u>\$ 8,248</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

16. Commitments and contingencies:

(a) Construction, equipment and information systems projects in process:

As at March 31, 2014, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$397.3 million (2013 - \$178.1 million).

(b) Contractual obligations:

The Authority has entered into contracts for various services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

	Contract Term	2015	2016	2017	2018	2019	Thereafter	Total
Housekeeping	2015	\$ 25,276	\$ 12,926	\$ -	\$ -	\$ -	\$ -	38,202
Patient food services	2015 - 2019	32,939	33,541	34,212	34,897	35,594	6,068	177,251
Laundry	2015 - 2016	14,684	9,233	-	-	-	-	23,917
Waste management	2015 - 2018	1,789	1,723	1,738	1,752	984	-	7,986
Access Health Vancouver	2015 - 2037	6,201	6,149	6,089	6,352	6,415	81,702	112,908
		\$ 80,889	\$ 63,572	\$ 42,039	\$ 43,001	\$ 42,993	\$ 87,770	\$ 360,264

(c) Long-term residential care contracts:

The Authority has entered into contracts with 35 service providers to provide residential care services. The aggregate annual commitments for these contracts is \$327.0 million for 2015.

(d) Service agreements:

The Authority, along with Provincial Health Services Authority ("PHSA") and PHC, have entered into a Services Agreement with IBM Canada Ltd. ("IBM") for design, build, integration and implementation of a standardized, integrated clinical information system across the three health authorities. The total professional service obligations from the Authority to IBM have been reduced to an estimated value of \$141.7 million (excluding taxes, inflation and contingency) mainly due to the transfer of implementation work effort from IBM back to the Health Authorities.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

16. Commitments and contingencies (continued):

(e) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2015	\$	29,038
2016		23,051
2017		19,823
2018		17,698
2019		15,590
Thereafter		116,075
	\$	221,275

(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

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, 2014, 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.

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2014

17. Statement of operations:

(a) Other contributions:

	2014	2013
Provincial Health Services Authority	\$ 144,826	\$ 173,327
BC government reporting entities	13,058	12,952
Other	16,244	5,384
	\$ 174,128	\$ 191,663

(b) Patients, clients and residents revenue:

	2014	2013
Long-term and extended care	\$ 33,481	\$ 32,824
Non-residents of BC	15,114	15,827
Non-residents of Canada	14,029	13,635
WorkSafe BC	9,328	8,702
Residents of BC self pay	5,140	5,150
Preferred accommodation	4,114	4,498
Other	2,117	2,417
	\$ 83,323	\$ 83,053

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

17. Statement of operations (continued):

(c) The following is a summary of expenses by object:

	2014	2013
Compensation:		
Compensation	\$ 1,134,149	\$ 1,106,484
Employee benefits	235,177	228,189
Loss (gain) on event driven employee benefits	(35,085)	12,244
	<u>1,334,241</u>	<u>1,346,917</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 19(a))	770,636	751,046
Health and support services providers	523,461	516,701
	<u>1,294,097</u>	<u>1,267,747</u>
Supplies:		
Medical and surgical	98,364	94,908
Drugs and medical gases	59,338	57,324
Diagnostic	18,962	16,709
Printing, stationery and office	4,133	4,644
Laundry and linen	2,869	2,773
Food and dietary	2,409	2,490
Housekeeping	2,098	2,093
Other	22,660	21,341
	<u>210,833</u>	<u>202,282</u>
Amortization of tangible capital assets	85,472	104,090
Equipment and building services:		
Equipment	37,743	36,317
Building and grounds service contracts	22,447	24,034
Plant operations (utilities)	18,628	17,007
Rent	18,431	17,094
Other	10,390	5,386
	<u>107,639</u>	<u>99,838</u>
Sundry:		
Professional fees	23,013	18,552
Communication and data processing	8,166	7,787
Travel	5,554	5,683
Patient transport	4,920	4,399
Other	26,082	3,347
	<u>67,735</u>	<u>39,768</u>
Research	20,647	21,725
Interest on debt and capital leases	6,511	6,165
Write-downs of tangible capital assets	-	2,854
	<u>\$ 3,127,175</u>	<u>\$ 3,091,386</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

18. Supplementary cash flow information:

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

	2014	2013
Accounts receivable	\$ 16,465	\$ 6,559
Accounts payable and accrued liabilities	28,866	(16,855)
Deferred operating contributions	497	(1,422)
Deferred research and designated contributions	(2,482)	(2,271)
Replacement reserves	71	113
Inventories held for use	1,045	(276)
Prepaid expenses	(13,319)	(1,780)
	\$ 31,143	\$ (15,932)

Retirement allowance transferred (to)/from other health authorities (note 11(a)) has been offset against non-cash operating items. The effect for 2013 is net inflow of accounts payable and accrued liabilities has been reduced by \$3.7 million.

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of tangible capital assets on the statement of cash flows.

	2014	2013
Acquisition of tangible capital assets	\$ 110,684	\$ 72,320
Disposal of tangible capital assets	(34,071)	(42,985)
	\$ 76,613	\$ 29,335

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

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Year Ended March 31, 2014

19. Related parties and other agencies:

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The financial statements include transactions and balances with these parties in the following amounts:

	2014	2013
Revenue		
Ministry of Health contributions	\$ 2,427,507	\$ 2,353,271
Medical Services Plan	206,035	205,584
Other Contributions	157,884	186,279
Recoveries from other health authorities and BC government reporting entities	124,621	114,539
Amortization of deferred capital contributions	52,583	68,340
	<u>\$ 2,968,630</u>	<u>\$ 2,928,013</u>
Expenses		
Distributions to affiliated organizations (note 17(c))	\$ 608,405	\$ 613,081
Referred-out and contracted services (note 17(c))	162,231	137,965
Supplies purchased from Shared Services Facility	70,211	64,294
Sundry	45,613	61,061
	<u>\$ 886,460</u>	<u>\$ 876,401</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

19. Related party and other agency operations (continued):

(a) BC government reporting entities (continued):

The financial statements include balances with these parties in the following amounts:

	2014	2013
Accounts receivable		
Other health authorities and BC government reporting entities	\$ 47,700	\$ 39,378
Ministry of Health	8,318	19,489
Medical Services Plan	7,998	6,526
	<u>\$ 64,016</u>	<u>\$ 65,393</u>
Accounts payable and accrued liabilities	\$ 49,207	\$ 43,700
Deferred operating contributions	\$ 452	\$ 313
Deferred capital contributions	\$ 695,388	\$ 667,095

Included in accounts receivable is \$1.5 million (2013 - \$1.1 million) due from R.W. Large, \$1.2 million (2013 - \$0.8 million) due from Bella Coola, and \$1.1 million (2013 - \$1.4 million) due from PHC. Included in accounts payable is \$13.7 million (2013 - \$12.8 million) due to PHC, \$2.0 million (2013 - \$-) due to R.W. Large, and \$1.0 million (2013 - \$-) due to Bella Coola.

(b) Foundations and auxiliaries:

There are 15 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations within the Authority area. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations granted \$40.2 million (2013 - \$30.5 million) to various facilities within the Authority.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

19. Related party and other agency operations (continued):

(c) Affiliated organizations:

The financial statements of the Affiliates are not consolidated with the Authority. The annual surplus (deficit) and accumulated deficit of these affiliates are as follows:

	2014	2013
Annual surplus (deficit):		
Providence Health Care	\$ 846	\$ 1,675
Bella Coola General Hospital	(402)	(262)
R.W. Large Memorial Hospital	(255)	(271)
	<hr/>	<hr/>
	\$ 189	\$ 1,142
Accumulated deficit:		
Providence Health Care	\$ (69,709)	\$ (70,555)
Bella Coola General Hospital	(611)	(209)
R.W. Large Memorial Hospital	(1,140)	(885)
	<hr/>	<hr/>
	\$ (71,460)	\$ (71,649)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

20. Risk management:

The Authority is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Authority's financial instruments is provided by type of risk below.

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2014, the amount of allowance for doubtful accounts was \$12.4 million (2013 - \$5.2 million).

The Authority is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

(b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, the Authority has the option to sell its portfolio investments, which can be liquidated without additional cost.

The Authority's principal source of funding is from the Ministry. The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Authority has complied with the external restrictions on the funding provided.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

20. Risk management (continued):

(b) Liquidity risk (continued)

The tables below show when various financial assets and liabilities mature:

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 195,270	\$ -	\$ -	\$ 195,270
Portfolio investments	15,000	-	-	15,000
Accounts receivable	77,277	-	-	77,277
Loans receivable	-	5,242	-	5,242
Total financial assets	\$ 287,547	\$ 5,242	\$ -	\$ 292,789

2014 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 303,436	\$ -	\$ -	\$ 303,436
Obligations under capital leases	921	8,304	100,609	109,834
Debt	1,041	4,432	-	5,473
Total financial liabilities	\$ 305,398	\$ 12,736	\$ 100,609	\$ 418,743

2013 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 102,681	\$ -	\$ -	\$ 102,681
Portfolio investments	50,408	20,000	-	70,408
Accounts receivable	94,019	-	-	94,019
Loans receivable	-	5,376	-	5,376
Total financial assets	\$ 247,108	\$ 25,376	\$ -	\$ 272,484

2013 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 274,570	\$ -	\$ -	\$ 274,570
Obligations under capital leases	717	7,013	102,821	110,551
Debt	1,134	5,791	-	6,925
Total financial liabilities	\$ 276,421	\$ 12,804	\$ 102,821	\$ 392,046

The maturity dates of the remaining financial assets and liabilities cannot be determined and therefore, are excluded from the above amounts.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

20. Risk management (continued):

(c) Foreign exchange risk

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

21. Impact of accounting for restricted contributions in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*:

As disclosed in the significant accounting policies note 1(a), Restricted Contributions Regulation 198/2011 requires the Authority to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible assets, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Authority is as follows:

For the year ended March 31, 2013		
Decrease in operating surplus	\$	(27,793)
As at March 31, 2013		
Decrease in accumulated operating deficit	\$	844,393
Decrease in deferred capital contributions		844,393
For the year ended March 31, 2014		
Increase in operating surplus	\$	37,306
As at March 31, 2014		
Decrease in accumulated operating deficit	\$	881,699
Decrease in deferred capital contributions		881,699

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2014

22. Subsequent event:

The affiliation agreement between the Authority and the United Church Health Services Society was terminated effective April 1, 2014, on which date, the Authority acquired the assets and liabilities of R.W. Large and Bella Coola. The impact to the Authority was acquisition of net debt of \$1.4 million. Effective April 1, 2014, the operations of these two hospitals are included in the operations of the Authority.

23. Comparative figures:

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