Financial Statements of

VANCOUVER COASTAL HEALTH AUTHORITY

Year Ended March 31, 2016

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2016 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 Coastal Health Authority

Mary Ackenhusen
President & Chief Executive Officer

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

Vancouver, BC
June 21, 2016

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, 2016, and the statement of operations and accumulated surplus (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 Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 overall presentation of the financial statements.

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

Basis for Qualified Opinion

As described in Note 1 (a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred revenue of $702,472,178, an understatement of opening accumulated surplus of $738,472,534, and a current year overstatement of revenue of $36,000,356. Accordingly, the current year surplus is overstated by $36,000,356 and net debt is overstated by $702,472,178.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vancouver Coastal Health Authority as at March 31, 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Without modifying my opinion, I advise that I issued an unmodified audit opinion dated June 17, 2015 on the financial statements of Vancouver Coastal Health Authority as at March 31, 2015, in which I reported on compliance with Section 23.1 of the *Budget Transparency and Accountability Act*. As such, the comparative financial information was not audited for fair presentation in accordance with Canadian Public Sector Accounting Standards.

Russ Jones

Victoria, British Columbia
June 23, 2016

Russ Jones, FCPA, FCA
Deputy Auditor General

OFFICE OF THE
Auditor General
of British Columbia

VANCOUVER COASTAL HEALTH AUTHORITY

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

As at March 31, 2016

		2016		2015
Financial assets				
Cash and cash equivalents (note 2)	$	478,364	$	240,812
Portfolio investments (note 2)		5,558		5,711
Accounts receivable (note 3)		83,228		89,200
Demand loan receivable (note 4)		29,000		-
Loan receivable (note 5)		5,000		5,116
Pearson receivable (note 6)		151,657		-
Long-term disability and health and welfare benefits (note 12(b))		-		48,525
		752,807		389,364
Liabilities				
Accounts payable and accrued liabilities (note 7)		332,702		275,481
Deferred operating contributions (note 8)		3,330		3,168
Deferred research and designated contributions (note 9)		7,367		8,857
Obligation under capital lease (note 10)		107,772		108,913
Debt (note 11)		3,391		4,432
Retirement allowance (note 12(a))		127,772		123,912
Long-term disability and health and welfare benefits (note 12(b))		17,588		-
Replacement reserves (note 13)		600		964
Deferred capital contributions (note 14)		1,054,290		1,018,492
		1,654,812		1,544,219
Net debt	$	(902,005)	$	(1,154,855)
Non-financial assets				
Tangible capital assets (note 15)		945,911		918,600
Tangible capital assets under lease (note 15)		90,496		92,731
Inventories held for use (note 16)		8,892		8,295
Prepaid expenses		23,686		24,319
	$	1,068,985	$	1,043,945
Accumulated surplus (deficit)	**$**	**166,980**	**$**	**(110,910)**

Commitments and contingencies (note 17)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

_______________ Director   _______________ Director

Kip Woodward, Board Chair   Daniel Nocente, Chair Audit & Finance Committee

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2016

	2016 Budget (note 1(p))	2016	2015
Revenues:			
Ministry of Health contributions	$ 2,519,361	$ 2,539,120	$ 2,407,216
Medical Services Plan	211,748	217,724	213,376
Other contributions (note 18(a))	142,383	153,629	179,174
Recoveries from other health authorities and BC government reporting entities	130,119	143,178	139,019
Patients, clients and residents (note 18(b))	86,252	95,516	93,198
Amortization of deferred capital contributions (note 14)	67,486	70,963	77,311
Other	22,612	27,032	23,555
Research and designated contributions (note 9)	20,000	15,325	21,766
Investment income	1,660	4,027	3,744
	3,201,621	3,266,514	3,158,359
Expenses (note 18(c)):			
Acute	1,886,221	1,965,713	1,856,996
Residential care	439,890	441,000	443,387
Mental health and substance use	277,052	274,843	284,293
Corporate	264,624	243,556	239,816
Community care	235,218	240,346	234,385
Population health and wellness	98,616	99,602	98,396
	3,201,621	3,265,060	3,157,273
Annual surplus before gain on sale of assets available for sale	$ -	$ 1,454	$ 1,086
Gain on sale of assets available for sale (note 18(d))	-	276,436	-
Annual surplus after gain on sale of assets available for sale	$ -	$ 277,890	$ 1,086
Accumulated deficit, beginning of year	(110,910)	(110,910)	(111,996)
Accumulated surplus (deficit), end of year	$ (110,910)	$ 166,980	$ (110,910)

The accompanying notes are an integral part of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Debt
(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2016

	2016 Budget (note 1(p))	2016	2015
Annual surplus	$ -	$ 277,890	$ 1,086
Acquisition of tangible capital assets	(151,967)	(101,089)	(158,938)
Disposal of tangible capital assets		196	
Amortization of tangible capital assets	72,258	75,817	82,097
Write-down of tangible capital assets	-	-	351
	(79,709)	252,814	(75,404)
Acquisition of inventories held for use	-	(231,868)	(224,107)
Acquisition of prepaid expenses	-	(37,416)	(27,787)
Consumption of inventories held for use	-	231,271	223,015
Use of prepaid expenses	-	38,049	25,173
	-	36	(3,706)
(Increase) decrease in net debt	(79,709)	252,850	(79,110)
Net debt, beginning of year	(1,154,855)	(1,154,855)	(1,075,745)
Net debt, end of year	$ (1,234,564)	$ (902,005)	$ (1,154,855)

The accompanying notes are an integral part of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows
(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2016

	2016	2015
Cash flows from operating activities:		
Annual surplus	$ 277,890	$ 1,086
Items not involving cash:		
Amortization of deferred capital contributions	(70,963)	(77,311)
Amortization of tangible capital assets	75,817	82,097
Gain on sale of assets available for sale	(276,436)	-
Write-down of tangible capital assets	-	351
Write-down of deferred capital contributions	-	(351)
Retirement allowance expense	10,912	12,233
Long term disability benefits expense	26,058	10,261
Health and welfare benefit adjustments	40,055	8,115
Interest expense	5,785	5,860
Interest income	(4,027)	(3,744)
	85,091	38,597
Net change in non-cash operating items (note 19(a))	61,668	(44,181)
Interest paid	(5,785)	(5,860)
Interest received	3,896	4,121
Net change in cash from operating activities	144,870	(7,323)
Capital activities:		
Proceeds from disposal of assets available for sale	276,632	-
Acquisition of tangible capital assets (note 19(b))	(101,089)	(158,938)
Net change in cash from capital activities	175,543	(158,938)
Investing activities:		
Proceeds from redemption of portfolio investments	153	9,289
Advance of demand loan receivable	(30,000)	-
Proceeds from demand loan receivable	1,000	-
Advance of pearson receivable	(151,657)	-
Proceeds from loan receivable	116	126
Net change in cash from investing activities	(180,388)	9,415
Financing activities:		
Repayment of obligation under capital lease	(1,141)	(921)
Retirement allowance contributions	(7,052)	(7,610)
Long-term disability benefits contributions	-	(2,495)
Repayment of debt	(1,041)	(1,041)
Capital contributions	106,761	214,455
Net change in cash from financing activities	97,527	202,388
Increase in cash and cash equivalents	237,552	45,542
Cash and cash equivalents, beginning of year	240,812	195,270
Cash and cash equivalents, end of year	$ 478,364	$ 240,812

Supplementary cash flow information (note 19)

The accompanying notes are an integral part of these 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 ("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.

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 statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(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 20(b)).

(c) Affiliated organization:

Within the Authority area, there is one denominational health care organization, Providence Health Care ("PHC"), which has the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. This affiliate is a separate legal entity with a 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 this affiliate are recorded as Ministry of Health contributions, and funds transferred to the affiliate are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of this affiliate, information on the equity and results of operations of the affiliate is provided in note 20(c) of these financial statements.

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 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.

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 (2015 - 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.

(i) Contaminated sites:

Liabilities for contaminated sites are recorded when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the Authority is directly responsible, or accepts responsibility for the damage. Liabilities are measured at the Authority's best estimate of the costs directly attributable to remediation of the contamination.

1. Significant accounting policies (continued):

(j) 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 10 provides a schedule of repayments and amount of interest on the leases.

(iii) Inventories held for use:

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

1. Significant accounting policies (continued):

(k) 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.

(l) 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.

(m) 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, 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.

1. Significant accounting policies (continued):

(n) 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.

(o) 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.

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.

(p) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2015/2016 Budget approved by the Board of Directors on March 12, 2015 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and the statement of changes in net debt.

1. Significant accounting policies (continued):

(q) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, Related Party Disclosures. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Authority.

(ii) In March 2015, PSAB issued PS 3420, Inter-entity Transactions. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Authority.

(iii) In June 2015, PSAB issued PS 3210, Assets. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the financial statements of the Authority.

(iv) In June 2015, PSAB issued PS 3320, Contingent Assets. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the financial statements of the Authority.

1. Significant accounting policies (continued):

(q) Future accounting standards (continued):

(v) In June 2015, PSAB issued PS 3380, Contractual Rights. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the financial statements of the Authority.

(vi) In June 2015, PSAB issued PS 3430, Restructuring Transactions. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Management is in the process of assessing the impact of adoption of PS 3430 on the financial statements of the Authority.

(tabular amounts expressed in thousands of dollars)

2. Cash and cash equivalents and portfolio investments:

	2016	2015
Cash and cash equivalents	$ 478,364	$ 240,812
Portfolio investments	5,558	5,711
	483,922	246,523
Amounts restricted for capital purposes	(145,665)	(139,770)
Amounts restricted for research and designated purposes	(12,496)	(16,685)
Amounts restricted for replacement reserves	(600)	(964)
Amounts restricted for patient comfort funds	(663)	(629)
Unrestricted cash and cash equivalents and portfolio investments	$ 324,498	$ 88,475

Included in cash and cash equivalents is $376.7 million (2015 - $191.4 million) held in the Provincial Treasury Central Deposit Program.

3. Accounts receivable:

	2016	2015
Ministry of Health	$ 28,815	$ 33,960
Other health authorities and BC government reporting entities	28,581	29,581
Medical Services Plan	10,039	11,091
Patients, clients and residents	9,321	6,611
Foundations and auxiliaries	6,785	5,940
WorkSafeBC	2,573	2,573
Federal government	2,064	3,223
Other	8,687	9,286
	96,865	102,265
Allowance for doubtful accounts	(13,637)	(13,065)
	$ 83,228	$ 89,200

4. Demand loan receivable:

The demand loan receivable represents funds advanced to PHC during the year to assist PHC with the acquisition of the Station Street Lands. The unsecured loan bears interest at the Government of BC Central Deposit Rate, currently 1.2%, and is payable at the earlier of:

- VCH's demand, which demand may be issued at any time
- the sale of any portion(s) of the Station Street Lands which are not intended to be used as a hospital site, or
- the sale of the lands comprising the current location of St. Paul's Hospital

(tabular amounts expressed in thousands of dollars)

5. 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 2.70%, and has a maturity date of February 2016, which was extended to August 2016.

6. Pearson receivable:

On January 31, 2015, VCH entered into an agreement with the Onni Group to sell the lands at the Pearson Dogwood site for $302.0 million and redevelop the facilities.

The Pearson receivable represents cash due to the Authority related to the proceeds due from Onni Pearson Dogwood Development Limited Partnership on the sale of the Pearson lands. The remaining balance of $172.0 million is due to be received over a period of 7 years, as follows: $17.5 million to be received each July 2017 to 2019; $25.0 million to be received each July 2020 to 2022; and the final payment of $44.5 million to be received July 2023. The receivable has been discounted to net present value of $151.7 million using the BC Provincial Loan Concessionary Rate of 2.61%.

The deferred payments by the Onni Group are secured with a mortgage in favour of the Authority. There is also a security agreement which charges the personal property of the Onni Group relating to the Dogwood and Pearson lands, buildings and the redevelopment work.

7. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	$ 165,586	$ 129,592
Salaries and benefits payable	104,578	84,903
Accrued vacation pay	62,538	60,986
	$ 332,702	$ 275,481

(tabular amounts expressed in thousands of dollars)

8. 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.

	2016	2015
Deferred operating contributions, beginning of year	$ 3,168	$ 3,260
Contributions received during the year	2,463	2,676
Amounts recognized as revenue in the year	(2,301)	(2,768)
Deferred operating contributions, end of year	$ 3,330	$ 3,168

9. 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.

	2016	2015
Deferred research and designated contributions, beginning of year	$ 8,857	$ 9,009
Contributions received during the year	13,835	21,614
Amounts recognized as revenue in the year	(15,325)	(21,766)
Deferred research and designated contributions, end of year	$ 7,367	$ 8,857

(tabular amounts expressed in thousands of dollars)

10. Obligation under capital lease:

	2016	2015
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	$ 107,772	$ 108,913
	$ 107,772	$ 108,913

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

2017	$ 7,021
2018	7,201
2019	7,381
2020	7,566
2021	7,756
Thereafter	146,923
Total minimum lease payments	183,848
Amounts representing interest	(76,076)
	$ 107,772

11. Debt:

	2016	2015
Canada Mortgage and Housing Corporation (“CMHC”), secured by first charges on properties, payable in monthly (blended) payments of $87, including annual interest of 1.99%, renewable January 2019	$ 3,391	$ 4,432
	$ 3,391	$ 4,432

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

2017	$ 1,000
2018	1,021
2019	439
2020	267
2021	237
Thereafter	427
	$ 3,391

(tabular amounts expressed in thousands of dollars)

12. 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, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next required valuation will be as of December 31, 2016.

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit obligation:		
Severance benefits	$ 66,049	$ 62,333
Sick leave benefits	51,182	50,120
	117,231	112,453
Unamortized actuarial gain	10,541	11,459
Accrued benefit obligation	$ 127,772	$ 123,912

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

	2016	2015
Accrued benefit obligation, beginning of year	$ 123,912	$ 119,289
Net benefit expense:		
Current service cost	7,713	8,075
Interest expense	4,570	4,917
Amortization of actuarial gain	(1,371)	(759)
Net benefit expense	10,912	12,233
Benefits paid	(7,052)	(7,610)
Accrued benefit obligation, end of year	$ 127,772	$ 123,912

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
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 and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Authority and other provincially-funded organizations.

The Authority and all other participating employers are jointly 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 and health and welfare benefits:

The Trust is a multiple employer plan, with the Authorities assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, the Authority's net trust assets are reflected in these financial statements.

The Authority's liabilities as of March 31, 2016 are based on the actuarial valuation at December 31, 2015, extrapolated to March 31, 2016. The Authority's assets as of March 31, 2015 are based on the actuarial valuation at December 31, 2014. The next expected valuation is as of December 31, 2016.

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

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

		2016		2015
Fair value of plan assets	$	161,215	$	263,143
Accrued benefit obligation		178,803		214,618
Net funded asset (obligation)	$	(17,588)	$	48,525

		2016		2015
Long-term disability and health and welfare benefits asset, beginning of year	$	48,525	$	64,406
Net benefit recovery (expense):				
Long-term disability expense		(22,034)		(24,099)
Actuarial gain (loss)		(7,744)		(9,145)
Health and welfare benefit expense		(37,484)		(8,947)
Interest expense		(8,843)		(8,485)
Employee payments		10		564
Expected return on assets		10,583		11,556
Net benefit recovery (expense)		(65,512)		(38,556)
Contributions to the plan		-		2,495
Transfer of health and welfare benefits net surplus		(601)		19,066
Effect of change in plan valuation date		-		1,114
Long-term disability and health and welfare benefits asset (obligation), end of year	$	(17,588)	$	48,525
Benefits paid to claimants	$	(68,229)	$	(30,713)

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

Plan assets consist of:

	2016	2015
Debt securities	42%	43%
Foreign equities	36%	34%
Equity securities and other	22%	23%
Total	100%	100%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability and health and welfare benefits asset are as follows:

	2016	2015
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.30%
Rate of benefit increase	1.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.80%
Rate of benefit increase	1.50%	2.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.30%	5.80%

Actual long-term rate of return on plan assets was 7.7% for the year ended December 31, 2015 (December 31, 2014 – 10.8%).

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The health and welfare benefits administered by the Trust on behalf of the Authority were part of a multi-employer pool within the Trust prior to December 31, 2014. Contributions to this pool by the Authority for the nine month period ended December 31, 2014 of $1.1 million (twelve months ended March 31, 2014 - $1.6 million) were expensed during the year ended March 31, 2015. From January 1, 2015 the Authority no longer participates in this pool. The benefits are now provided through the long-term disability and health and welfare benefit plans.

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Healthcare Benefit Trust will transition to the joint benefit trusts

(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 $79.7 million (2015 - $76.3 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 184,000 active members, of which approximately 18,000 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2015, with results available in fall 2016.

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's current estimate of arrears is $1.3 million based on a detailed review of the correspondence. During the year ended March 31, 2016, payments of $0.6 million were made against this obligation.

(tabular amounts expressed in thousands of dollars)

13. 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:

	2016	2015
Replacement reserves, beginning of year	$ 964	$ 940
Provision for replacement reserve funding	50	51
Interest on replacement reserves	8	9
Replacement reserve adjustment [1]	(382)	-
Capital Payment	(40)	(36)
Replacement reserves, end of year	$ 600	$ 964

[1] During the fiscal year, Olive Devaud residence was transferred back to the Powell River Sunset Homes Society under a transfer agreement dated May 21, 1999. As the Authority no longer owns this facility, the replacement reserve of $0.4 million was recognized into income during the year.

The replacement reserves by facility are as follows:

	2016	2015
Kiwanis Intermediate Care	$ 172	$ 165
Shorncliffe Intermediate Care	172	157
Lions Park Senior Citizens Housing	108	120
Cedarview Lodge	87	85
Hilltop House	61	55
Olive Devaud Residence	-	382
	$ 600	$ 964

(tabular amounts expressed in thousands of dollars)

14. Deferred capital contributions:

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

	2016	2015
Deferred capital contributions, beginning of year	$ 1,018,492	$ 881,699
Capital contributions received:		
Ministry of Health	71,792	187,521
Foundations and auxiliaries	26,854	16,497
Regional hospital districts	584	793
Other	7,531	9,644
	106,761	214,455
	1,125,253	1,096,154
Amortization for the year	(70,963)	(77,311)
Write-downs of tangible capital assets	-	(351)
Deferred capital contributions, end of year	$ 1,054,290	$ 1,018,492

Deferred capital contributions are comprised of the following:

	2016	2015
Contributions used to purchase tangible capital assets	$ 908,625	$ 878,722
Unspent contributions	145,665	139,770
	$ 1,054,290	$ 1,018,492

(tabular amounts expressed in thousands of dollars)

15. Tangible capital assets:

Cost	2015	Additions	Disposals [1]	Transfers	2016
Land	$ 17,852	$ -	$ (196)	$ -	$ 17,656
Buildings	1,316,009	-	(479)	8,943	1,324,473
Equipment	686,506	23,984	(21,514)	-	688,976
Information systems	309,205	292	(179)	1,869	311,187
Leasehold improvements	31,285	310	-	-	31,595
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	34,473	62,036	-	(8,943)	87,566
Equipment and information systems in progress	106,169	14,467	-	(1,869)	118,767
	$ 2,613,454	$ 101,089	$ (22,368)	$ -	$ 2,692,175

Accumulated amortization	2015	Amortization	Disposals [1]	Transfers	2016
Buildings	$ 667,417	$ 40,969	$ (479)	$ -	$ 707,907
Equipment	588,378	29,959	(21,514)	-	596,823
Information systems	307,122	1,346	(179)	-	308,289
Leasehold improvements	19,982	1,308	-	-	21,290
Buildings under capital lease	19,224	2,235	-	-	21,459
	$ 1,602,123	$ 75,817	$ (22,172)	$ -	$ 1,655,768

[1] Included in disposals is $0.0 million of write-downs.

Cost	2014	Additions	Disposals [1]	Transfers	2015
Land	$ 17,703	$ 149	$ -	$ -	$ 17,852
Buildings	1,249,941	-	(4,204)	70,272	1,316,009
Equipment	674,589	24,014	(12,097)	-	686,506
Information systems	308,476	776	(47)	-	309,205
Leasehold improvements	30,965	320	-	-	31,285
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	54,659	50,086	-	(70,272)	34,473
Equipment and information systems in progress	22,576	83,593	-	-	106,169
	$ 2,470,864	$ 158,938	$ (16,348)	$ -	$ 2,613,454

Accumulated amortization	2014	Amortization	Disposals [1]	Transfers	2015
Buildings	$ 627,848	$ 43,422	$ (3,853)	$ -	$ 667,417
Equipment	570,345	30,130	(12,097)	-	588,378
Information systems	303,459	3,710	(47)	-	307,122
Leasehold improvements	17,381	2,601	-	-	19,982
Buildings under capital lease	16,990	2,234	-	-	19,224
	$ 1,536,023	$ 82,097	$ (15,997)	$ -	$ 1,602,123

[1] Included in disposals is $0.4 million of write-downs.

(tabular amounts expressed in thousands of dollars)

15. Tangible capital assets (continued):

Net book value	2016	2015
Land	$ 17,656	$ 17,852
Buildings	616,566	648,592
Equipment	92,153	98,128
Information systems	2,898	2,083
Leasehold improvements	10,305	11,303
Buildings under capital lease	90,496	92,731
Construction in progress	87,566	34,473
Equipment and information systems in progress	118,767	106,169
	$ 1,036,407	$ 1,011,331

Contributed tangible capital assets total $0.2 million (2015 - $0.5 million.)

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	$ 908,624	$ 878,722
Debt	111,163	113,345
Internally funded	16,620	19,264
Tangible capital assets	$ 1,036,407	$ 1,011,331

16. Inventories held for use:

	2016	2015
Pharmaceuticals	$ 7,277	$ 6,622
Medical supplies	1,615	1,673
	$ 8,892	$ 8,295

(tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies:

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

As at March 31, 2016, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of $339.2 million (2015 - $312.5 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	2017	2018	2019	2020	2021	Thereafter	Total
Housekeeping	2015 - 2023	$ 27,262	$ 27,897	$ 28,254	$ 28,649	$ 29,050	$ 44,329	$ 185,441
Laundry	2015 - 2026	14,669	14,963	15,262	15,567	15,816	83,411	159,688
Patient food services	2015 - 2020	34,479	35,168	35,872	6,115		-	111,634
Waste management	2015 - 2019	1,942	1,896	1,104			-	4,942
Access Health Vancouver	2015 - 2037	6,087	6,332	6,387	5,990	5,758	69,429	99,983
		$ 84,439	$ 86,256	$ 86,879	$ 56,321	$ 50,624	$ 197,169	$ 561,688

(c) Long-term residential care contracts:

The Authority has entered into contracts with 31 service providers to provide residential care services. The aggregate annual commitments for these contracts is $320.0 million for 2016 (2015 – 35 service providers, $319.0 million).

(d) Operating leases:

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

2017	$ 28,523
2018	26,098
2019	24,070
2020	22,492
2021	15,186
Thereafter	102,482
	$ 218,851

(tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

(e) 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, 2016, 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.

18. Statement of operations:

(a) Other contributions:

	2016	2015
Provincial Health Services Authority	$ 138,874	$ 145,929
BC government reporting entities	11,990	12,711
Other	2,765	20,534
	$ 153,629	$ 179,174

(b) Patients, clients and residents revenue:

	2016	2015
Long-term and extended care	$ 35,841	$ 34,272
Non-residents of BC	19,737	18,326
Non-residents of Canada	16,990	17,635
WorkSafe BC	8,473	9,457
Residents of BC self pay	6,927	5,987
Preferred accommodation	4,750	4,473
Other	2,798	3,048
	$ 95,516	$ 93,198

(tabular amounts expressed in thousands of dollars)

18. Statement of operations (continued):

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

	2016	2015
Compensation:		
Compensation	$ 1,187,912	$ 1,152,842
Employee benefits	231,869	225,318
Loss/(Gain) on event driven employee benefits	9,189	(9,729)
	1,428,970	1,368,431
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 20(a))	809,798	762,932
Health and support services providers	534,091	518,957
	1,343,889	1,281,889
Supplies:		
Medical and surgical	104,650	101,841
Drugs and medical gases	69,618	67,163
Diagnostic	21,564	19,221
Printing, stationery and office	4,142	4,192
Laundry and linen	3,117	3,246
Food and dietary	2,463	2,582
Housekeeping	2,019	2,146
Other	23,698	22,624
	231,271	223,015
Amortization of tangible capital assets	75,817	82,097
Equipment and building services:		
Equipment	49,862	50,150
Building and grounds service contracts	21,354	22,449
Plant operations (utilities)	19,120	19,232
Rent	19,116	17,735
Other	5,945	(2,659)
	115,397	106,907
Sundry:		
Professional fees	12,779	31,011
Communication and data processing	8,324	8,545
Travel	6,051	5,930
Patient transport	5,392	4,888
Other	16,060	16,932
	48,606	67,306
Research	15,325	21,768
Interest on debt and capital leases	5,785	5,860
	$ 3,265,060	$ 3,157,273

(tabular amounts expressed in thousands of dollars)

18. Statement of operations (continued):

(d) Gain on sale of assets available for sale:

During the fiscal year ended March 31, 2016, the Pearson Dogwood Lands were sold and net proceeds from the disposition was recognized to income as a gain on sale of assets available for sale in the amount of $276.4 million. Please refer to Note 6 for further details.

19. Supplementary cash flow information:

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

	2016	2015
Accounts receivable	$ 6,103	$ (12,300)
Accounts payable and accrued liabilities	57,221	(27,955)
Deferred operating contributions	162	(92)
Deferred research and designated contributions	(1,490)	(152)
Replacement reserves	(364)	24
Inventories held for use	(597)	(1,092)
Prepaid expenses	633	(2,614)
	$ 61,668	$ (44,181)

(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.

	2016	2015
Acquisition of tangible capital assets	$ 101,089	$ 158,938
Disposal of tangible capital assets	(22,368)	(16,348)
	$ 78,721	$ 142,590

(tabular amounts expressed in thousands of dollars)

20. 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:

	2016	2015
Revenue		
Ministry of Health contributions	$ 2,539,120	$ 2,407,216
Medical Services Plan	217,724	213,376
Other Contributions	150,864	158,640
Recoveries from other health authorities and BC government reporting entities	143,178	139,019
Amortization of deferred capital contributions	44,586	49,702
	$ 3,095,472	$ 2,967,953
Expenses		
Distributions to affiliated organizations (note 18(c))	$ 631,652	$ 594,234
Referred-out and contracted services (note 18(c))	178,146	168,698
Supplies purchased from Shared Services Facility	76,065	71,776
Sundry	54,850	46,097
	$ 940,713	$ 880,805

(tabular amounts expressed in thousands of dollars)

20. 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:

		2016		2015
Accounts receivable				
Ministry of Health	$	28,815	$	33,960
Other health authorities and BC government reporting entities		28,581		29,581
Medical Services Plan		10,039		11,091
	$	67,435	$	74,632
Demand loan receivable	$	29,000	$	-
Accounts payable and accrued liabilities	$	61,806	$	34,755
Deferred operating contributions	$	433	$	342
Deferred capital contributions	$	860,062	$	832,856

Included in accounts receivable is $1.2 million (2015 - $2.5 million) due from PHC, and included in accounts payable is $24.1 million (2015 - $3.5 million) due to PHC. The demand loan receivable of $29.0 million (2015 - $nil) is due from PHC.

(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 $47.1 million (2015 - $38.1 million) to various facilities within the Authority.

(c) Affiliated organization:

The financial statements of the affiliate, PHC, are not consolidated with the Authority. The annual surplus (deficit) and accumulated deficit of PHC is ($0.1) million (2015 – 0.2 million), and $69.7 million (2015 - $69.5 million), respectively.

21. 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, 2016, the amount of allowance for doubtful accounts was $13.6 million (2015 - $13.1 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.

(tabular amounts expressed in thousands of dollars)

21. Risk management (continued):

(b) Liquidity risk (continued)

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

2016 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 478,364	$ -	$ -	$ 478,364
Portfolio investments	5,417	141	-	5,558
Accounts receivable	83,228	-	-	83,228
Demand loan receivable	29,000	-	-	29,000
Loan receivable	5,000	-	-	5,000
Pearson receivable	-	62,358	89,299	151,657
Financial assets	$ 601,009	$ 62,499	$ 89,299	$ 752,807

2016 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 332,702	$ -	$ -	$ 332,702
Obligations under capital leases	1,386	8,302	98,084	107,772
Debt	1,000	1,964	427	3,391
Financial liabilities	$ 335,088	$ 10,266	$ 98,511	$ 443,865

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 240,812	$ -	$ -	$ 240,812
Portfolio investments	338	5,373	-	5,711
Accounts receivable	89,200	-	-	89,200
Loan receivable	5,116	-	-	5,116
Financial assets	$ 335,466	$ 5,373	$ -	$ 340,839

2015 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 275,481	$ -	$ -	$ 275,481
Obligations under capital leases	1,141	7,162	100,610	108,913
Debt	1,041	3,391	-	4,432
Financial liabilities	$ 277,663	$ 10,553	$ 100,610	$ 388,826

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

21. 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.