Financial Statements of

NISGA'A VALLEY HEALTH AUTHORITY

Year ended March 31, 2018

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Nisga'a Valley Health Authority (the "Authority") for the year ended March 31, 2018 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. The Board of Directors meets with management regularly.

The external auditors, KPMG LLP, 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 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 Board of Directors and the option to meet with it on a regular basis.

On behalf of Nisga'a Valley Health Authority

Julia Adams
Chief Executive Officer
May 14, 2018

Paul More
Chief Financial Officer
May 14, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Nisga'a Valley Health Authority and the Ministry of Health, Province of British Columbia

We have audited the accompanying financial statements of Nisga'a Valley Health Authority, which comprise the statement of financial position as at March 31, 2018, the statements of operations and accumulated operating surplus, changes in net debt and cash flows for the year then ended, and notes, comprising 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 financial reporting provisions 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our 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, we consider internal control relevant to the Authority's preparation and fair presentation 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 Authority'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Nisga'a Valley Health Authority as at March 31, 2018, are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) of the financial statements, which describes the basis of accounting and significant differences between such basis of accounting and Canadian public sector accounting standards.

Report on other legal and regulatory requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these financial statements fairly reflect, in all material respects, for the period under review, the financial position of Nisga'a Valley Health Authority and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.
- whether, in our opinion, these financial statements are prepared in accordance with generally accepted accounting principles. These financial statements were prepared in accordance the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Note 1(a) to the financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and not to generally accepted accounting principles.
- whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these financial statements have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

May 14, 2018

Prince George, Canada

NISGA'A VALLEY HEALTH AUTHORITY

Statement of Financial Position

As at March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	$ 1,968,969	$ 995,964
Accounts receivable (note 2)	387,024	303,735
Sales tax receivable	136,619	143,809
	2,492,612	1,443,508
Liabilities		
Accounts payable and accrued liabilities	781,036	1,098,971
Accrued payroll expenses (note 3)	454,573	365,928
Deferred operating contributions	228,816	1,500
Long-term debt (note 4)	696,333	857,645
Deferred capital contributions (note 5)	1,115,558	1,142,138
Retirement allowance (note 6)	89,000	89,000
	3,365,316	3,555,182
Net debt	(872,704)	(2,111,674)
Non-financial assets		
Tangible capital assets (note 7)	2,604,827	2,980,941
Prepaid expenses	26,959	36,115
	2,631,786	3,017,056
Accumulated surplus	$ 1,759,082	$ 905,382

Commitments (note 11)
Contingencies (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

[signature] Director   [signature] Director

NISGA'A VALLEY HEALTH AUTHORITY

Statement of Operations and Accumulated Operating Surplus

Year ended March 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenues (note 8):			
Administration	$ 2,800,196	$ 2,875,485	$ 3,227,775
Community home care support	562,650	562,656	564,060
Cultural community health	334,520	340,292	341,502
Mental health	434,050	458,287	391,941
Non-insured health benefits	9,846,655	9,848,729	9,677,899
Primary care	4,287,496	4,264,829	4,523,746
	18,265,567	18,350,278	18,726,923
Expenses (note 8):			
Administration	2,800,196	2,449,210	2,648,784
Community home care support	562,650	511,009	520,129
Cultural community health	334,520	333,452	322,947
Mental health	434,050	408,631	290,540
Non-insured health benefits	9,846,655	9,544,453	10,039,860
Primary care	4,287,496	4,249,831	4,672,589
	18,265,567	17,496,586	18,494,849
Annual surplus	-	853,700	232,074
Accumulated surplus, beginning of year	905,382	905,382	673,308
Accumulated surplus, end of year	$ 905,382	$ 1,759,082	$ 905,382

See accompanying notes to financial statements.

NISGA'A VALLEY HEALTH AUTHORITY

Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual operating surplus	$ -	$ 853,700	$ 232,074
Acquisition of tangible capital assets	-	(32,331)	(179,062)
Loss on sale of tangible capital assets	-	2,454	-
Amortization of tangible capital assets	464,000	405,991	410,719
	464,000	1,229,814	463,731
Change of prepaid expenses	-	9,156	8,695
Decrease in net debt	464,000	1,238,970	472,426
Net debt, beginning of year	(2,111,674)	(2,111,674)	(2,584,100)
Net debt, end of year	$ (1,647,674)	$ (872,704)	$ (2,111,674)

See accompanying notes to financial statements.

NISGA'A VALLEY HEALTH AUTHORITY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual operating surplus	$ 853,700	$ 232,074
Items not involving cash:		
Amortization of tangible capital assets	405,991	410,719
Loss on sale of tangible capital assets	2,454	-
Amortization of deferred capital contributions	(101,580)	(73,978)
	1,160,565	568,815
Change in non-cash operating working capital:		
Accounts receivable	(83,289)	59,387
Prepaid expenses	9,156	8,695
Sales tax receivable	7,190	22,239
Accounts payable and accrued liabilities	(317,935)	(7,927)
Accrued payroll expenses	88,645	(21,841)
Deferred operating contributions	227,316	(11,695)
	1,091,648	617,673
Financing activities:		
Decrease in bank line of credit	-	(70,000)
Repayment of long-term debt	(161,312)	(155,792)
Deferred capital contributions	75,000	18,971
Retirement allowance	-	(7,140)
	(86,312)	(213,961)
Capital activities:		
Purchase of tangible capital assets	(32,331)	(179,062)
Increase in cash	973,005	224,650
Cash, beginning of year	995,964	771,314
Cash, end of year	$ 1,968,969	$ 995,964

See accompanying notes to financial statements.

Nature of operations:

Nisga'a Valley Health Authority (the "Authority") was incorporated under the Societies Act (British Columbia), to manage the delivery of health care services for the Nisga'a Nation and for the residents of the Nass Valley, British Columbia. On November 28, 2016, the new Societies Act (British Columbia) became effective. The Authority transitioned to the new act on November 6, 2017.

Nisga'a Valley Health Authority is dependent on the Nisga'a Lisims Government (the "NLG") and the Ministry of Health (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.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements are prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board ("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 PSAS 4200 series.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 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 period 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.

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

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

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards 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 public sector accounting standard PS3410; and

- 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 public sector accounting standard PS3100.

- deferred contributions meet liability criteria in accordance with PS3260, Liabilities.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

1. Significant accounting policies (continued):

(b) Future accounting standards:

(i) 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 presented as a separate revenue or an expense item in the statement of operations;
- 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 PS 3430 on the financial statements of the Authority.

(ii) PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. An Exposure Draft (ED) was issued in May 2017 seeking feedback from stakeholders. Responses are currently under deliberation. The ED proposes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The ED proposes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

The new section would be applied retroactively with restatement for fiscal years beginning on or after April 1, 2021.

1. Significant accounting policies (continued):

(b) Future accounting standards (continued):

(iii) A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.

PSAB recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles. Responses are currently under deliberation.

The proposed asset retirement obligation standard would require the Authority to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA").

As a result of the proposed standard, the Authority would have to:

- consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
- carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
- begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

The Exposure Draft has a proposed effective date of April 1, 2021 for the standard.

1. Significant accounting policies (continued):

(b) Future accounting standards (continued):

(iv) Given the complexity of issues involved and potential implications of any changes that may arise from review of PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, PSAB is undertaking this project in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.

An Invitation to comment was issued in November 2016 and closed March 2017, seeking guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. Responses are currently under deliberation.

An invitation to Comment was issued in November 2017 seeking guidance on the present value measurement of accrued benefit obligations. Webinars with an overview of the Invitation to Comment were scheduled in January 2018.

The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.

1. Significant accounting policies (continued):

(b) Future accounting standards (continued):

(v) A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets.

A Statement of Principles (SOP) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. Responses are currently under deliberation.

The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.

The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.

The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.

1. **Significant accounting policies (continued):**

(c) 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. Costs include 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	Rate
Buildings	20 - 30 years
Equipment	3 - 10 years
Computer	4 years

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 are 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. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

1. Significant accounting policies (continued):

(d) 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 benefits 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 lifetime 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. The cost of plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented. 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 an obligation is based on the Province of BC's cost of borrowing if there are plan assets. The expected rate of return on plan assets is the discount rate used if there are no plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan 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 due and payable.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(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 cash flows.

(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.

(e) Revenue recognition:

The Authority is funded primarily under the Hospital Insurance Act and Regulation and by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry and by the Nisga'a Lisims Government.

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

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Under the framework described in Note 1(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are considered to be deferred capital contributions and are amortized to revenue at the same rate as the amortization of the associated tangible capital asset. The amortization of the deferred capital contributions is recognized over the period in which the tangible capital asset is providing services. If the depreciable tangible capital asset funded by a deferred capital contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

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

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 contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

1. Significant accounting policies (continued):

(f) 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 estimated useful lives of tangible capital assets, contingent liabilities, fair value of designated financial instruments, including 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.

(g) 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, 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 or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. Debt and other financial liabilities are recorded using cost or amortized cost.

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

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.

(h) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's fiscal 2017/2018 budget approved by the Board of Directors. The Budget is reflected in the statement of operations and accumulated operating surplus. Capital additions are managed on both an individual basis and project by project basis, with funding derived from various sources, the majority of which is from the Nisga'a Lisims Government Capital Finance Commission. Additions and projects are approved individually and may span several reporting periods; therefore, capital budget figures are not available for inclusion in the Statement of Changes in Net Debt.

1. Significant accounting policies (continued):

(i) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

a) an environmental standard exists
b) contamination exceeds the environmental standard
c) the organization is directly responsible or accepts responsibility for the liability
d) future economic benefits will be given up, and
e) a reasonable estimate of the liability can be made.

2. Accounts receivable:

	2018	2017
Nisga'a Lisims Government	$ 236,620	$ 23,601
Provincial Government	150,404	278,229
Other	-	1,905
	$ 387,024	$ 303,735

3. Accrued payroll expenses:

	2018	2017
Benefits payable	$ 15,627	$ 15,166
Government remittances payable	21,007	59,830
Vacation payable	368,842	238,869
Wages payable	49,097	49,986
Workers' Compensation payable	-	2,077
	$ 454,573	$ 365,928

4. Long-term debt:

	2018	2017
Toronto-Dominion Bank, non-revolving term loan, repayable in monthly installments of $14,834 including interest fixed at 3.50% per annum. Secured as disclosed below. Due March 2022.	$ 663,662	$ 815,543
Scotiabank, non-revolving term loan, repayable in monthly installments of $440 including interest fixed at 2.99% per annum. Secured by specific equipment. Due June 2021.	16,336	21,051
Scotiabank, non-revolving term loan, repayable in monthly installments of $440 including interest fixed at 2.99% per annum. Secured by specific equipment. Due June 2021.	16,335	21,051
	$ 696,333	$ 857,645

As at March 31, 2018, the Authority has an available operating loan with the Toronto-Dominion Bank to a maximum amount of $450,000 of which nil (2017 - nil) was withdrawn. The operating loan bears interest at bank prime rate plus 0.7% (2018 - 4.15%) per annum. All Toronto-Dominion Bank loans and facilities are secured by a general security agreement constituting a first ranking security interest covering all property of the Authority.

The Authority has an available revolving demand facility with the Royal Bank of Canada available to a maximum of $430,000 and a revolving term facility is available by way of a series of term loans to a maximum of $2,000,000. In addition, the Authority has a $2,000,000 revolving lease line of credit by way of leases. The aggregate borrowings outstanding under the revolving term facility and the revolving lease line of credit must not exceed $2,000,000 at any time. These facilities are secured by a general security agreement constituting a second ranking security interest covering all property of the Authority. The facilities were not used as at March 31, 2018.

4. Long-term debt (continued):

Principal repayments are due as follows:

2019	$ 167,009
2020	172,898
2021	178,995
2022	177,431
	$ 696,333

5. Deferred capital contributions:

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

	2018	2017
Deferred capital contributions, beginning of year	$ 1,142,138	$ 1,197,145
Capital contributions received:		
Nisga'a Lisims Government	75,000	18,971
	1,217,138	1,216,116
Amortization for the year	(101,580)	(73,978)
Balance, end of year	$ 1,115,558	$ 1,142,138

Deferred capital contributions are comprised of the following:

Contributions used to purchase tangible capital assets	$ 1,090,558	$ 1,142,138
Unspent contributions	25,000	-
	$ 1,115,558	$ 1,142,138

Included in the $75,000 capital contributions received from the Nisga'a Lisims Government for the year ended March 31, 2017 is $50,000 that was for prior year capital expenditures which the Authority did not have confirmation to utilize until the current fiscal year and $25,000 unspent. At March 31, 2017, the $50,000 was recorded as an accounts payable to NLG.

6. Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based on accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation performed as at March 31, 2016 and extrapolated to March 31, 2018 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2018 are derived. The valuation report, created by Mercer, is completed every 3 years, with the next report being released on March 31, 2019.

Information about retirement allowance benefits is as follows:

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	$ 89,000	$ 96,140
Current service cost	17,130	9,990
Amortization of actuarial gain	(17,690)	(17,690)
Interest expense	3,370	3,370
Net benefit expense	91,810	91,810
Benefits paid	(2,810)	(2,810)
Accrued benefit obligation, end of year	$ 89,000	$ 89,000

6. Retirement allowance (continued):

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

	2018	2017
Accrued benefit obligation as at March 31:		
Discount rate	3.93	3.93
Rate of compensation increase	1.00%	1.00%
Benefit costs of years ended March 31:		
Discount rate	3.93	3.93
Rate of compensation increase	1.50%	1.00%
Expected future inflationary increase	2.00%	2.00%

7. Tangible capital assets:

Cost	Balance at March 31, 2017	Additions	Disposals	Balance at March 31, 2018
Buildings	$ 7,569,147	$ -	$ (4,974)	$ 7,564,173
Equipment	2,416,832	32,331	(154,828)	2,294,335
Computer	730,696	-	(513,996)	216,700
	$ 10,716,675	$ 32,331	$ (673,798)	$ 10,075,208

Accumulated amortization	Balance at March 31, 2017	Amortization expense	Disposals	Balance at March 31, 2018
Buildings	$ 4,905,154	$ 238,143	$ (3,213)	$ 5,140,084
Equipment	2,231,438	131,246	(154,136)	2,208,548
Computer	599,142	36,602	(513,995)	121,749
	$ 7,735,734	$ 405,991	$ (671,344)	$ 7,470,381

7. Tangible capital assets (continued):

Cost	Balance at March 31, 2016	Cost	Disposals	Balance at March 31, 2017
Buildings	$ 7,554,416	$ 14,731	$ -	$ 7,569,147
Equipment	2,389,913	26,919	-	2,416,832
Computer	593,284	137,412	-	730,696
	$ 10,537,613	$ 179,062	$ -	$ 10,716,675

Accumulated amortization	Balance at March 31, 2016	Amortization expense	Disposals	Balance at March 31, 2017
Buildings	$ 4,667,580	$ 237,573	$ -	$ 4,905,154
Equipment	2,069,768	161,671	-	2,231,438
Computer	587,667	11,475	-	599,142
	$ 7,325,015	$ 410,719	$ -	$ 7,735,734

7. Tangible capital assets (continued):

Net book value	Net book value March 31, 2018	Net book value March 31, 2017
Buildings	$ 2,424,089	$ 2,663,993
Equipment	85,787	185,394
Computer	94,951	131,554
	$ 2,604,827	$ 2,980,941

Tangible capital assets are funded as follows:

	2018	2017
Deferred capital contributions (note 5)	$ 1,090,558	$ 1,142,138
Long-term debt (note 4)	696,333	857,645
Internally funded	817,936	981,158
	$ 2,604,827	$ 2,980,941

8. Statement of operations:

	2018	2017
Summary of revenue by department:		
Administration		
Nisga'a Lisims Government	$ 2,657,304	$ 2,887,500
Health Canada	40,944	203,305
Amortization of deferred capital contributions	101,580	73,978
Other	75,657	62,992
	2,875,485	3,227,775
Community home care support		
Nisga'a Lisims Government	562,656	564,060
	562,656	564,060
Cultural community health		
Nisga'a Lisims Government	321,204	325,598
Health Canada	13,326	14,562
Other	5,762	1,342
	340,292	341,502
Mental health		
Nisga'a Lisims Government	289,056	381,814
Health Canada	144,996	-
Other	24,235	10,127
	458,287	391,941
Non-insured health benefits		
Nisga'a Lisims Government	9,846,579	9,674,112
Other	2,150	3,787
	9,848,729	9,677,899
Primary care		
Nisga'a Lisims Government	1,934,856	1,870,524
Ministry of Health	2,283,407	2,651,903
Other	46,566	1,319
	4,264,829	4,523,746
	$ 18,350,278	$ 18,726,923

8. Statement of operations (continued):

	2018	2017
Summary of expenses by object:		
Medical and dental benefits costs	$ 7,097,655	$ 7,518,496
Salaries and benefits	4,309,594	3,950,167
Health service contracts	1,971,276	2,804,971
Supplies:		
Computers and copiers	227,737	187,517
Department and program supplies	158,046	131,820
Medical and clinical supplies	121,423	116,972
Office and general	17,076	7,334
	524,282	443,643
Equipment and building services:		
Building maintenance	140,053	121,677
Utilities	103,763	103,451
Vehicles	145,297	168,543
	389,113	393,671
Sundry:		
Bad debts	2,143	74,572
Board travel	8,581	7,671
Consulting	258,575	309,874
Interest and bank charges	15,894	10,436
Patient meals and travel	2,048,288	2,072,129
Postage and freight	13,807	18,102
Professional fees	111,726	127,381
Public relations	10,690	5,628
Staff meals and travel	146,113	156,916
Telephone	137,074	137,292
Training	16,077	20,407
	2,768,968	2,940,408
Interest on long-term debt	27,253	32,774
Amortization	405,991	410,719
Loss on sale of tangible capital assets	2,454	-
	$ 17,496,586	$ 18,494,849

9. Employee remuneration:

As at March 31, 2018, the Authority paid remuneration of $75,000 or greater to ten employees totaling $1,152,128.

10. Financial risks and concentration of risk:

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

Risk management and insurance services for all Health Authorities in B.C. are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

(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.

Accounts receivable primarily consist of amounts receivable from the Nisga'a Lisims Government, Provincial Government and other reporting entities. 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 uncollectable amounts. As at March 31, 2018, the amount of allowance for doubtful debts was nil (2017 - nil). The Authority historically has not had difficulty collecting receivables.

(b) Liquidity risk:

Liquidity risk is the risk that the Authority will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Authority manages its liquidity risk by monitoring its operating requirements. The Authority prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2017.

10. Financial risks and concentration of risk: (continued):

(c) Interest rate risk:

The Authority's operating loan has a variable interest rate based on prime plus a margin. As a result, the Authority is exposed to interest rate risk due to fluctuations in the prime rate.

11. Commitments:

The Authority is committed to monthly lease payments for various office equipment. The aggregate minimum future annual rentals under operating leases are as follows:

2019	$	23,172
2020		23,172
2021		21,241

12. Contingencies:

(a) Litigation and claims:

The nature of the Authority's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2018 it is management's opinion that the Authority has valid defences and appropriate insurance coverage's in place, or if there is an unfunded risk, such claims are not expected to have a 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.

(b) Risk management:

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

13. Economic dependence:

A substantial portion of the Authority's revenue is received from the Nisga'a Lisims Government and the Province of British Columbia. Accordingly, any disruption in these funding sources could have a significant effect upon operations of the Authority.

14. Comparative information:

Certain comparative information has been reclassified to conform to the current year's financial statement presentation.