

BC ACADEMIC HEALTH COUNCIL

Financial Statements
March 31, 2011

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BC ACADEMIC HEALTH COUNCIL

We have audited the accompanying financial statements of BC Academic Health Council, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and 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 and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 the auditors' 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 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 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.

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

Basis for Qualified Opinion

The Council has segregated certain project revenues to be used against future project expenses and have deferred these amounts until such time as the expenses are incurred or the Board approves other uses for the funds. Under Canadian generally accepted accounting principles, these amounts would normally be recognized as revenues in the period the revenues were earned. Had these amounts been recorded as revenues, the differences would have been as follows: deferred operating revenue decrease of \$167,447 (2010 - \$168,890), deferred project contributions decrease of \$268,821 (2010 - \$268,821), total revenues decrease of \$1,443 (2010 - \$132,734), opening net assets increase of \$437,711 (2010 - \$570,445) and closing net assets increase of \$436,268 (2010 - \$437,711).

Qualified Opinion

In our 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 BC Academic Health Council as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
June 10, 2011

BC ACADEMIC HEALTH COUNCIL
Statement of Financial Position
March 31

	2011	2010
Assets		
Current		
Cash	\$ 680,862	\$ 571,396
Term deposits	641,904	758,845
Accounts receivable	991,842	165,379
Prepaid deposit	0	6,671
	2,314,608	1,502,291
Long-Term Deposit	2,510	0
Capital Assets (note 4)	13,345	15,163
	\$ 2,330,463	\$ 1,517,454
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 340,323	\$ 149,655
GST/HST payable	38,797	1,989
Deferred operating revenue (note 5)	1,251,630	674,603
Deferred project contributions (note 6)	513,847	513,847
	2,144,597	1,340,094
Deferred Capital Contributions (note 7)	6,091	9,137
	2,150,688	1,349,231
Net Assets		
Unrestricted	159,919	161,147
Invested in capital assets	7,254	6,026
Internally restricted	12,602	1,050
	179,775	168,223
	\$ 2,330,463	\$ 1,517,454

Commitment (note 9)

Approved on behalf of the Board:

..... *Kathy Kirkoch* Director
 *[Signature]* Director

BC ACADEMIC HEALTH COUNCIL
Statement of Operations
Year Ended March 31

	2011	2010
Revenues		
Fees	\$ 560,625	\$ 707,302
HSPnet others	89,522	2,816
Interest and other	4,623	5,887
Amortization of deferred capital contributions (note 7)	3,046	4,085
Conferences	0	39,114
Foreign exchange gain (note 5)	0	277,000
	657,816	1,036,204
Externally Funded Projects (schedule)	2,691,957	1,783,053
	3,349,773	2,819,257
Expenses		
HSPnet (including partners)	346,972	211,429
Salaries and employee benefits	169,387	426,877
Consulting fees	44,320	15,305
Operations	41,201	50,573
Rent and building maintenance	39,054	88,690
Equipment and telecommunications	26,539	19,465
Professional fees	23,734	33,819
Governance review	9,986	70,158
Conferences	0	74,513
Loss on disposal of leased asset	0	12,913
Bad debt	0	9,648
Collaboration	0	1,365
Interest and other	0	136
Amortization	8,194	9,668
	709,387	1,024,559
Externally Funded Projects (schedule)	2,628,834	1,794,083
	3,338,221	2,818,642
Excess of Revenues over Expenses	\$ 11,552	\$ 615

BC ACADEMIC HEALTH COUNCIL
Statement of Changes in Net Assets
Year Ended March 31

	Invested in Capital Assets	Internally Restricted	Unrestricted	Total	
				2011	2010
Balance, Beginning of Year	\$ 6,026	\$ 1,050	\$ 161,147	\$ 168,223	\$ 167,608
Excess of revenues over expenses	0	11,552	0	11,552	615
Amortization of capital assets	(8,194)	0	8,194	0	0
Amortization of deferred capital contributions	3,046	0	(3,046)	0	0
Purchase of capital assets	6,376	0	(6,376)	0	0
Balance, End of Year	\$ 7,254	\$ 12,602	\$ 159,919	\$ 179,775	\$ 168,223

BC ACADEMIC HEALTH COUNCIL
Statement of Cash Flows
Year Ended March 31

	2011	2010
Operating Activities		
Excess of revenues over expenses	\$ 11,552	\$ 615
Items not involving cash		
Amortization	8,194	9,668
Amortization of deferred capital contributions	(3,046)	(4,085)
Loss on disposal of leased asset	0	12,913
	16,700	19,111
Changes in non-cash working capital		
Accounts receivable	(826,463)	356,804
Prepaid deposit	6,671	3,329
Long-term deposit	(2,510)	7,195
Accounts payable and accrued liabilities	190,668	1,073
GST/HST payable	36,808	19,405
Deferred operating revenue	577,027	(744,635)
Deferred project contributions	0	(90,527)
Cash Used in Operating Activities	(1,099)	(428,245)
Investing Activities		
Purchase of capital assets	(6,376)	(2,391)
Redemption of term deposits	116,941	455,386
Cash Provided by Investing Activities	110,565	452,995
Financing Activity		
Repayment of obligation under capital lease	0	(4,809)
Increase in Cash	109,466	19,941
Cash, Beginning of Year	571,396	551,455
Cash, End of Year	\$ 680,862	\$ 571,396

BC ACADEMIC HEALTH COUNCIL
Notes to Financial Statements
Year Ended March 31, 2011

1. OPERATIONS

BC Academic Health Council (the "Council" or "BCAHC") was incorporated under the *Society Act* (British Columbia). The Council is comprised of a board and also a secretariat. The board is comprised of representation from the six regional health authorities, senior academic leaders from universities, colleges and institutes, the Ministry of Health, the Ministry of Advance Education and the Michael Smith Health Research Foundation.

The Council's purpose is to provide a forum within British Columbia among health authorities and post-secondary education institutions involved in the education of health practitioners, foster co-operation among members, facilitate and encourage joint planning, advance the purposes of the Council, and such other purposes as the Trustees may from time to time decide.

The Council is a not-for-profit organization and is not subject to income tax. The following is a list for projects referred to throughout the financial statements and notes to the financial statements:

HSPnet	Health Sciences Placement Network
EHLbc	Electronic Health Library Project BC
	Practice Education
	External and Other Projects

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Revenue recognition

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions are deferred and recognized as revenue on the same basis as the related amortization expense.

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization, which is based on cost less residual value, is computed using the straight-line method over a period of three to ten years.

BC ACADEMIC HEALTH COUNCIL
Notes to Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the useful lives for purposes of amortization of capital assets and deferred capital contributions. Management believes that the estimates are reasonable; however, the actual results could differ from those estimates and could impact future results of operations and cash flows.

(e) Financial instruments

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Any financial instrument may be designated as held-for-trading upon initial recognition. The Council continues to follow the Canadian Institute of Chartered Accountants' Section 3861, "Financial Instruments – Disclosures and Presentation", as permitted for not-for-profit organizations.

3. FINANCIAL INSTRUMENTS

The Council's financial instruments include cash and term deposits classified as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair value

The carrying values of cash, term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

(b) Interest rate risk

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Council's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Council is exposed to interest rate cash flow risk.
- (ii) To the extent that prevailing market interest rates differ from the interest rates on the Council's monetary assets and liabilities, the Council is exposed to interest rate price risk.

The Association is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

BC ACADEMIC HEALTH COUNCIL
Notes to Financial Statements
Year Ended March 31, 2011

3. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

The Council is not exposed to significant credit risk with respect to its accounts receivable, as the amounts are due from government funded organizations. The Council is exposed to credit risk on its cash and term deposits. The risk is minimized, as cash and term deposits have been placed with a major Canadian financial institution.

4. CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated Amortization	Net	Net
Equipment	\$ 120,295	\$ 106,950	\$ 13,345	\$ 15,163

5. DEFERRED OPERATING REVENUE

	2011	2010
External Projects	\$ 409,140	\$ 0
EHLbc consortium fees advance	263,348	371,465
Conferences	250,000	0
Foreign exchange gain	122,893	135,818
HSPnet	77,605	48,026
BCAHC membership fees advance	52,552	54,684
Project interest	44,555	33,073
Other projects	31,537	31,537
	\$ 1,251,630	\$ 674,603

In 2011, \$nil (2010 - \$277,000) of the foreign exchange gain from prior years has been taken into revenue, as approved by the Board.

BC ACADEMIC HEALTH COUNCIL
Notes to Financial Statements
Year Ended March 31, 2011

6. DEFERRED PROJECT CONTRIBUTIONS

Deferred contributions relate to funding received for Practice Education, EHLbc project, and other projects.

	Practice Education	EHLbc	Other projects	2011	2010
Balance, Beginning of Year	\$ 232,490	\$ 268,821	\$ 12,536	\$ 513,847	\$ 604,374
Additions during the year	0	0	0	0	1,684,342
Taken into revenue as project funding	0	0	0	0	(1,663,676)
Transferred to deferred revenue	0	0	0	0	(111,193)
Balance, End of Year	\$ 232,490	\$ 268,821	\$ 12,536	\$ 513,847	\$ 513,847

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2011	2010
Deferred capital contributions, beginning of year	\$ 9,137	\$ 13,222
Amortization for the year	(3,046)	(4,085)
Deferred capital contributions, end of year	\$ 6,091	\$ 9,137

8. CAPITAL MANAGEMENT

The Council defines its capital under management as its net assets. The Council's objectives when managing its capital are to ensure sufficient capital resources to safeguard the Council's ability to continue as a going concern, and provide a forum within British Columbia among health authorities and educational institutions.

The Council plans to achieve these objectives by focusing on cost control, investing excess funds and by relying on grants to fund operations.

The Council's capital is not subject to externally imposed capital requirements and the Council did not change its approach to capital management during the year.

BC ACADEMIC HEALTH COUNCIL
Notes to Financial Statements
Year Ended March 31, 2011

9. COMMITMENT

The Council is committed to minimum rental payments and common area costs for premises aggregating approximately \$36,157 over the term of a lease expiring October 31, 2013.

Commitments in each of the next two years are approximately as follows:

2012	\$	28,925
2013	\$	7,232

10. COMPARATIVE FIGURES

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

BC ACADEMIC HEALTH COUNCIL
Schedule of Externally Funded Projects
Year Ended March 31

	2011	2010
Revenues		
EHLbc	\$ 1,526,712	\$ 1,543,149
External Projects	1,161,043	0
Interest	4,202	4,090
Practice Education	0	175,805
Other Projects	0	60,009
	\$ 2,691,957	\$ 1,783,053
Expenses		
EHLbc	\$ 1,530,914	\$ 1,552,830
External Projects	1,131,481	0
Other Projects	0	65,448
Practice Education (recovery)	(33,561)	175,805
	\$ 2,628,834	\$ 1,794,083