

Financial Statements of

**BRITISH COLUMBIA HEALTH SERVICES
PURCHASING ORGANIZATION**

Period from Incorporation January 12, 2010 to March 31, 2011

Statement of Management Responsibility

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

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

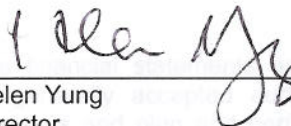
The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility by meeting with management on a monthly basis. The Entity's director has the responsibility for assessing the management systems and practices of the corporation.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Entity's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

On behalf of British Columbia Health Services Purchasing Organization



Dr. Les Vertesi
Executive Director



Helen Yung
Director
Financial Services and Business Development

Vancouver, BC
June 21, 2011



KPMG Enterprise™
Metrotower II 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

INDEPENDENT AUDITORS' REPORT

To the Members of British Columbia Health Services Purchasing Organization

We have audited the accompanying financial statements of the British Columbia Health Services Purchasing Organization, which comprise the statement of financial position as at March 31, 2011, the statements of operations, and cash flows for the period from incorporation on January 12, 2010 to March 31, 2011, 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 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 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Health Services Purchasing Organization as at March 31, 2011, and its results of operations and its cash flows for the period from incorporation on January 12, 2010 to March 31, 2011 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

June 21, 2011

Burnaby, Canada

**BRITISH COLUMBIA HEALTH SERVICES
PURCHASING ORGANIZATION**

Statement of Financial Position

March 31, 2011

Assets

Current assets:

Accounts receivable \$ 38,966

\$ 38,966

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities \$ 29,954

Net assets

Unrestricted 9,012

\$ 38,966

See accompanying notes to financial statements.

Approved on behalf of the Board:

J. C. J. Lapa Director

[Signature] Director

BRITISH COLUMBIA HEALTH SERVICES PURCHASING ORGANIZATION

Statement of Operations

Period from incorporation on January 12, 2010 to March 31, 2011

Revenues:		
Ministry of Health contributions	\$	620,000
Expenses:		
Compensation and benefits		465,008
Rent		112,707
Sundry		31,221
Supplies		2,052
		<hr/>
		610,988
Excess of revenues over expenses, being net assets, end of period	\$	9,012

See accompanying notes to financial statements.

BRITISH COLUMBIA HEALTH SERVICES PURCHASING ORGANIZATION

Statement of Cash Flows

Period from incorporation on January 12, 2010 to March 31, 2011

Cash flows from operating activities:

Excess of revenues over expenses	\$	9,012
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Net change in non-cash operating items

Accounts receivable		(38,966)
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Accounts payable and accrued liabilities		29,954
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Change in cash and cash equivalents		-
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Cash and cash equivalents, beginning and end of period	\$	-
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See accompanying notes to financial statements.

BRITISH COLUMBIA HEALTH SERVICES PURCHASING ORGANIZATION

Notes to Financial Statements

Period from incorporation on January 12, 2010 to March 31, 2011

British Columbia Health Services Purchasing Organization (the "BCHSPO") was created under the *Society Act of British Columbia* on January 12, 2010 with a Board of Directors appointed by the Ministry of Health (the "Ministry"). The BCHSPO is dependent on the Ministry to provide sufficient funds to continue operations. The BCHSPO is a not-for-profit organization.

The role of the BCHSPO is to make decisions for the procurement of Ministry-specified health services using a funding model that will encourage improvement and create a competitive environment.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Opening balances on date of incorporation were nil.

(b) Revenue recognition:

The BCHSPO follows the deferral method of accounting for contributions, which include government contributions.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

(c) Financial instruments:

The BCHSPO has elected to defer applying Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, Financial Instruments – Disclosure, and 3863, Financial Instruments – Presentation. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The BCHSPO has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

The BCHSPO has measured its accounts receivable and accounts payable and accrued liabilities at amortized cost. The estimated fair values of these financial instruments approximate their book values due to their short-term nature.

BRITISH COLUMBIA HEALTH SERVICES PURCHASING ORGANIZATION

Notes to Financial Statements

Period from incorporation on January 12, 2010 to March 31, 2011

1. Significant accounting policies (cont'd):

(d) Future accounting framework:

Effective April 1, 2012, the BCHSPO will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The BCHSPO is reviewing the impact of this change on the financial statements.

2. Related party and other agency operations:

The BCHSPO is related through common ownership to all Province of British Columbia ministries, 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 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.

(a) The financial statements include transactions with these parties in the following amounts:

	2011
Revenue	
Ministry of Health contributions	\$ 620,000
	<u>\$ 620,000</u>
Expenses paid to Ministry of Health	
Rent	\$ 112,707
Voice and IT services	13,730
	<u>\$ 126,437</u>
Accounts receivable	
Vancouver Coastal Health Authority	\$ 38,966
	<u>\$ 38,966</u>