

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended 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 and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the internal auditors six times a year and the external auditors two times a year.

The Authority's internal auditor 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 Authority's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Vancouver Coastal Health Authority



Dr. David Ostrow
President & Chief Executive Officer



Duncan Campbell
Chief Financial Officer & Vice President
System Development & Performance

Vancouver, BC
June 7, 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 Board of Vancouver Coastal Health Authority

We have audited the accompanying financial statements of the Vancouver Coastal Health Authority, which comprise the statement of financial position as at March 31, 2011, the statements of operations, changes in net assets 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 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 Vancouver Coastal Health Authority 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.

Chartered Accountants

June 7, 2011

Burnaby, Canada

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Amounts expressed in thousands of dollars)

March 31, 2011, with comparative figures for 2010


	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 104,552	\$ 53,370
Accounts receivable (note 2)	87,491	83,350
Inventories of materials and supplies (note 3)	14,828	14,702
Prepaid expenses	21,452	21,796
	<u>228,323</u>	<u>173,218</u>
Loan receivable (note 4)	5,695	0
Capital assets (note 5)	989,604	1,038,501
Long-term disability benefits (note 8(b))	15,260	0
	<u>\$ 1,238,882</u>	<u>\$ 1,211,719</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 267,415	\$ 208,867
Deferred research contributions	16,834	16,524
Deferred operating contributions	11,891	15,471
Current portion of long-term debt (note 7)	1,629	5,586
Current portion of retirement allowance (note 8(a))	9,496	11,347
Current portion of long-term disability benefits (note 8(b))	0	8,703
	<u>307,265</u>	<u>266,498</u>
Long-term debt (note 7)	122,040	124,964
Retirement allowance (note 8(a))	91,917	89,772
Long-term disability benefits (note 8(b))	0	2,463
Replacement reserves (note 9)	849	849
Deferred capital contributions (note 10)	876,444	895,863
	<u>1,398,515</u>	<u>1,380,409</u>
Net assets (deficiency):		
Invested in capital assets (note 11)	27,626	32,465
Internally restricted	0	149
Unrestricted	<u>(187,259)</u>	<u>(201,304)</u>
	<u>(159,633)</u>	<u>(168,690)</u>
Commitments and contingencies (note 12)		
	<u>\$ 1,238,882</u>	<u>\$ 1,211,719</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director
  Director

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Operations

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Ministry of Health contributions	\$ 2,217,409	\$ 2,159,219
Medical Services Plan	190,304	192,122
Other contributions (note 15(a))	185,391	180,644
Amortization of deferred capital contributions	107,777	107,019
Patients, clients and residents (note 15(b))	79,499	70,484
Other (note 15(c))	77,636	61,562
Research contributions	17,822	15,569
	<u>2,875,838</u>	<u>2,786,619</u>
Expenses:		
Compensation and benefits	1,265,073	1,250,811
Distributions to affiliated organizations (note 14(b))	574,682	582,339
Referred out and contracted services (note 15(d))	508,881	472,774
Supplies (note 15(e))	213,486	210,936
Depreciation of capital assets	124,749	125,649
Equipment and building services	85,945	63,046
Sundry (note 15(f))	68,175	57,743
Research	17,837	15,569
Interest	6,509	6,974
	<u>2,865,337</u>	<u>2,785,841</u>
Excess of revenues over expenses	\$ 10,501	\$ 778

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Assets (Deficiency)

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

	Invested in capital assets (Note 11)	Internally restricted	Unrestricted	2011	2010
Balance, beginning of year, as previously reported	\$ 32,465	\$ 149	\$ (201,304)	\$ (168,690)	\$ (152,243)
Restatement due to correction of error	0	0	0	0	(17,225)
Balance, beginning of year, as restated	\$ 32,465	\$ 149	\$ (201,304)	\$ (168,690)	\$ (169,468)
Excess (deficiency) of revenues over expenses	(16,972)	(149)	27,622	10,501	778
Disposal of land (note 11 (c))	(1,444)	0	0	(1,444)	0
Transfer to invested in capital assets (note 11 (c))	13,577	0	(13,577)	0	0
Other transfers	0	0	0	0	0
Balance, end of year	\$ 27,626	\$ 0	\$ (187,259)	\$ (159,633)	\$ (168,690)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 10,501	\$ 778
Items not involving cash:		
Amortization of deferred capital contributions	(107,777)	(107,019)
Depreciation of capital assets	124,749	125,649
Retirement allowance expense	8,912	7,237
Long-term disability expense	34,079	32,190
Assets written down	3,598	6,803
Increase in capital lease obligation (note 13)	2,142	0
	76,204	65,638
Net change in non-cash operating items (note 13)	51,355	(46,348)
	127,559	19,290
Cash flows from investing activities:		
Net change in short-term investments	0	6,423
Loan receivable	(5,695)	0
Purchase of capital assets (note 13)	(80,894)	(76,965)
Proceeds on sale of land	2,400	0
	(84,189)	(70,542)
Cash flows from financing activities:		
Capital contributions	85,958	82,598
Retirement allowance contributions	(8,618)	(4,793)
Long-term disability contributions	(60,505)	(52,739)
Repayment of capital lease obligations	(7,980)	(7,512)
Repayment of long-term debt	(1,043)	(1,017)
	7,812	16,537
Increase (decrease) in cash and cash equivalents	51,182	(34,715)
Cash and cash equivalents, beginning of year	53,370	88,085
Cash and cash equivalents, end of year	\$ 104,552	\$ 53,370

Supplemental information (note 13)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

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 ("B.C."). 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:

(a) Affiliated organizations:

Within the Vancouver Coastal area, there are three denominational health care organizations, Providence Health Care ("PHC"), Bella Coola General Hospital ("Bella Coola") and R.W. Large Memorial Hospital in Bella Bella ("R.W. Large") (collectively the "Affiliates") which have the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. These Affiliates are separate legal entities with separate boards of directors and accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of these Affiliates are recorded as Ministry of Health contributions, and funds transferred to the Affiliates are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of these Affiliates, information on the equity and results of operations of the Affiliates is provided in Note 14(b) of these financial statements.

(b) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 14) and other organizations that provide services under contracts.

(c) Cash and cash equivalents:

All short-term investments with a term to maturity of three months or less at the date of purchase are classified as cash and cash equivalents.

(d) Inventories of materials and supplies:

Inventories of materials and supplies are measured at the lower of average cost and replacement cost.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Authority records depreciation on its assets on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	5 – 50 years
Equipment and information systems	3 – 20 years

(f) Asset retirement obligations:

The Authority recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a long-lived asset, including leased premises, resulting from the acquisition, construction, development, and/or normal use of the asset, provided the fair value of the obligation can be reasonably estimated. The fair value of the asset retirement obligation is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation. These changes are recorded as expenses of the related periods.

(g) Internally restricted net assets:

The Authority has internally restricted certain funds for a variety of uses. These uses include repairs and maintenance, capital asset acquisitions, staff training and other sundry uses. Use of these funds is limited to the related terms of reference as approved by management.

(h) Revenue recognition:

The Authority follows the deferral method of accounting for contributions, which include donations and government contributions.

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

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. Contributions restricted for the purchase of capital assets are deferred and amortized to revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(i) Employee benefits:

(i) Liabilities, net of plan assets, are recorded for employee retirement allowance benefits, long-term disability and multiple-employer defined benefit plans as employees render services to earn 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). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the greater of the benefit obligation or the fair value of plan assets, are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2010 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2010 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

(ii) Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(j) Asset and service contributions:

Volunteers contribute a significant amount of 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.

(k) Measurement uncertainty:

The preparation of these 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 revenues and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include: valuation of accounts receivable and inventory; the determination of obsolescence and useful lives for depreciation of capital assets and amortization of deferred capital contributions; accrued liabilities and contingent liabilities; and the assumptions with respect to long-term disability benefits and retirement allowance. Actual results could differ from the estimates.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(l) Financial instruments:

The Authority has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables.

- The Authority initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Other liabilities which include the Authority's long-term disability liabilities and assets, accrued retirement allowance liabilities, long-term debt, and obligations under capital leases, are recorded at amortized cost.
- All transaction costs incurred on loans, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available-for-sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Authority has not classified any assets or liabilities as available-for-sale.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transaction that received hedge accounting.

The Authority's financial instruments include cash, restricted cash, accounts receivable, long-term disability liabilities and assets, accounts payable and accrued liabilities, accrued retirement allowance liabilities, and obligations under capital leases. It is management's opinion that the Authority is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued retirement allowance liabilities and accrued long-term disability liabilities and assets, which are disclosed in note 8.

The Authority 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 Authority has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

1. Significant accounting policies (continued):

(m) Future accounting framework:

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

2. Accounts receivable:

	2011	2010
Other health authorities and B.C. government reporting entities	\$ 34,582	\$ 35,050
Ministry of Health	13,421	10,463
Hospital foundations	12,644	9,194
Other	11,347	11,050
Medical Services Plan	6,214	5,903
Patient fees	5,625	6,066
Federal government	4,087	3,723
Other provinces	3,110	3,128
WorkSafeBC	1,975	2,224
	93,005	86,801
Less provision for doubtful accounts	5,514	3,451
	\$ 87,491	\$ 83,350

3. Inventories of materials and supplies:

Inventories of materials and supplies are comprised of:

	2011	2010
Medical supplies	\$ 9,697	\$ 9,906
Pharmaceuticals	5,126	4,571
Plant and facilities	5	225
	\$ 14,828	\$ 14,702

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

4. Loan receivable:

In February 2011, the Authority advanced funds to the Royal Bank of Canada ("RBC"), 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 & UBC Hospital Foundation.

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

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

5. Capital assets:

2011	Cost	Accumulated Depreciation	Net book value
Land	\$ 19,984	\$ 0	\$ 19,984
Buildings	1,145,590	521,083	624,507
Equipment and information systems	891,776	705,996	185,780
Equipment under capital lease	78,365	74,301	4,064
Buildings under capital lease	111,955	10,254	101,701
Information systems projects in progress	5,418	0	5,418
Construction projects in progress	48,150	0	48,150
	\$ 2,301,238	\$ 1,311,634	\$ 989,604

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

5. Capital assets (continued):

2010	Cost	Accumulated Depreciation	Net book value
Land	\$ 21,428	\$ 0	\$ 21,428
Buildings	1,127,191	479,646	647,545
Equipment and information systems	863,692	648,612	215,080
Equipment under capital lease	78,935	69,240	9,695
Buildings under capital lease	111,955	7,981	103,974
Information systems projects in progress	13,649	0	13,649
Construction projects in progress	27,130	0	27,130
	\$ 2,243,980	\$ 1,205,479	\$ 1,038,501

6. Accounts payable and accrued liabilities:

	2011	2010
Trade accounts payable and accrued liabilities	\$ 149,549	\$ 98,467
Salaries and benefits payable	59,970	53,172
Accrued vacation pay	57,896	57,228
	\$ 267,415	\$ 208,867

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

7. Long-term debt:

	2011	2010
Gordon & Leslie Diamond Health Care Centre capital lease obligation, 5.37% interest maturing August 2036	\$ 113,791	\$ 111,837
Equipment under capital lease obligations, with weighted average interest rate of 7.25% and maturities to 2016	778	8,570
Mortgages payable to CMHC, 2.86% interest, secured by first charges on properties, payable in blended payments of \$110,000 per month, renewable December 2013	9,100	10,143
	123,669	130,550
Less current portion of long-term debt	1,629	5,586
	\$ 122,040	\$ 124,964

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

2012	\$ 1,072
2013	1,104
2014	1,134
2015	1,166
2016	1,178
Thereafter	3,446
	\$ 9,100

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

2012	\$ 6,576
2013	6,642
2014	6,777
2015	6,942
2016	7,111
Thereafter	187,897
	221,945
Amounts representing interest	(107,376)
	\$ 114,569

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

8. 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 agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liability related to this benefit is based on an actuarial valuation as of March 31, 2011, using an early measurement date of December 31, 2010. The next required valuation will be as of December 31, 2012.

Information about employee retirement allowance benefits is as follows:

	2011	2010
Accrued benefit obligation	\$ 79,105	\$ 77,779
Unamortized amounts	22,308	23,340
Retirement allowance liability	101,413	101,119
Less current portion of retirement allowance	9,496	11,347
Long-term portion of retirement allowance	\$ 91,917	\$ 89,772
Retirement allowance benefits paid	\$ 8,618	\$ 4,793
Retirement allowance expense	\$ 8,912	\$ 7,237

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

	2011	2010
Accrued benefit obligation as at March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust"), administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially-funded organizations.

The Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(i) Long-term disability benefits:

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net liability or asset is reflected in these financial statements.

The Authority's liability is based on an actuarial valuation using an early measurement date as at December 31, 2010. The next expected valuation will be as of December 31, 2011.

Information about employee long-term disability benefits is as follows:

	2011	2010
Accrued benefit obligation	\$ 153,691	\$ 150,915
Fair value of plan assets	126,990	80,684
Net unfunded obligation, December 31	26,701	70,231
Balance of unamortized amounts	(18,402)	(32,707)
Contributions to plan (January - March)	(23,559)	(26,358)
Accrued long-term disability benefits liability (asset)	(15,260)	11,166
Less current portion	-	8,703
Long-term portion	\$ (15,260)	\$ 2,463
Long-term disability expense	\$ 34,079	\$ 32,190
Long-term disability plan contributions	(60,505)	(52,739)
Benefits paid	(24,827)	(21,545)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2011	2010
Debt securities	54%	54%
Foreign equities	25%	25%
Equity securities	20%	20%
Other	1%	1%
	100%	100%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability liabilities are as follows:

	2011	2010
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	4.90%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	4.90%	7.00%
Expected long-term rate of return on plan assets	6.00%	6.25%
Rate of benefit increase	2.50%	2.50%

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. As a result, the Authority accounts for these components as a defined contribution plan. Contributions to the Trust of \$2.0 million (2010 - \$1.9 million) were expensed during the year. The most recent actuarial valuation as of December 31, 2010 indicated a surplus of \$17.3 million. The plan covers approximately 85,000 active employees of which approximately 15,000 are employees of the Authority. The next expected valuation will be as of December 31, 2011.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2011, with comparative figures for 2010

8. Employee benefits (continued):

(c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *B.C. Public Sector Pension Plans Act*.

The Authority's contributions to the Municipal Pension Plan of \$61.4 million (2010 - \$60.3 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 as of December 31, 2009 indicated an unfunded liability of \$1,024 million. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 163,000 active employees, of which approximately 16,000 are employees of the Authority. The next required valuation will be as of December 31, 2012.

9. Replacement reserves:

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

The change in the replacement reserves is calculated as follows:

	2011	2010
Balance, beginning of year	\$ 849	\$ 903
Provision for replacement reserve funding	68	68
Interest on replacement reserves	7	3
Expenses	(75)	(125)
	\$ 849	\$ 849

The replacement reserves by facility are as follows:

	2011	2010
Olive Devaud Residence	\$ 324	\$ 304
Shorncliffe Intermediate Care	156	143
Kiwanis Intermediate Care	134	127
Lions Park Senior Citizens Housing	124	171
Cedarview Lodge	78	76
Hilltop House	33	28
	\$ 849	\$ 849

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2011, with comparative figures for 2010

10. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions 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	\$ 895,863	\$ 920,284
Ministry of Health	46,250	37,336
Canada Foundation for Innovation	20,887	8,929
Hospital foundations	16,263	16,816
Other	3,142	6,498
Canada Health Infoway	1,392	5,263
Regional health districts	424	7,756
	<u>88,358</u>	<u>82,598</u>
	984,221	1,002,882
Amortization for year	<u>(107,777)</u>	<u>(107,019)</u>
Deferred capital contributions, end of year	\$ 876,444	\$ 895,863

Deferred capital contributions are comprised of the following:

	2011	2010
Contributions used to purchase capital assets	\$ 840,451	\$ 875,486
Unspent contributions	35,993	20,377
	<u>\$ 876,444</u>	<u>\$ 895,863</u>

11. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 989,604	\$ 1,038,501
Amounts financed by:		
Deferred capital contributions	(840,451)	(875,486)
Long-term debt	(121,527)	(130,550)
	<u>\$ 27,626</u>	<u>\$ 32,465</u>

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11. Invested in capital assets (continued):

(b) Deficiency of revenues over expenses:

	2011	2010
Amortization of deferred capital contributions	\$ 107,777	\$ 107,019
Depreciation of capital assets	(124,749)	(125,649)
	\$ (16,972)	\$ (18,630)

(c) Transfer to invested in capital assets:

	2011	2010
Purchase of capital assets	\$ 80,894	\$ 77,055
Disposition of capital assets	(1,444)	0
Amounts funded by deferred capital contributions	(72,742)	(69,937)
Amounts funded by long-term debt	0	(90)
Amounts written down	(3,598)	(6,803)
Repayment of long-term debt	9,023	8,529
	\$ 12,133	\$ 8,754

12. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2012	\$ 27,067
2013	24,542
2014	19,695
2015	18,101
2016	13,576
Thereafter	104,997
	\$ 207,978

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12. Commitments and contingencies (continued):

(b) Litigation and claims:

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, 2011, 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.

(c) Risk management:

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.

(d) Asset retirement obligations:

The Authority has accrued asset retirement obligations for certain buildings on the Vancouver General Hospital site that are contractually required to be demolished as part of a zoning agreement with the City of Vancouver. The aggregate amount of the liability relating to the demolition of these buildings can be reasonably determined as of March 31, 2011 as \$4.7 million (2010 – \$5.1 million). During the year, \$0.6 million of expenses were incurred against the asset retirement obligations and the obligation was accreted by \$0.2 million.

The Authority has identified significant asset retirement obligations relating to asbestos removal in several of its facilities. At this time, the Authority has not recognized these asset retirement obligations as there is an indeterminate settlement date of the future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated. The asset retirement obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

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13. Statement of cash flows:

(a) As a result of the Province of B.C. adopting the Harmonized Sales Tax ("HST") on July 1, 2010, leases of real property were subject to an additional 7% HST on payments. The changes resulted in an increase to capital lease obligations of \$2.142 million.

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

	2011	2010
Accounts receivable	\$ (4,141)	\$ 13,607
Inventories of materials and supplies	(126)	(1,817)
Prepaid expenses	344	(4,358)
Accounts payable and accrued liabilities	58,548	(27,985)
Deferred research contributions	310	1,027
Deferred operating contributions	(3,580)	(26,768)
Replacement reserves	0	(54)
	<u>\$ 51,355</u>	<u>\$ (46,348)</u>

(c) Purchase of capital assets:

Assets purchased or construction projects in progress under capital lease are non-cash transactions and are excluded from purchase of capital assets on the statement of cash flows.

	2011	2010
Purchase of capital assets (note 11 (c))	\$ 80,894	\$ 77,055
Assets acquired under capital lease (note 11 (c))	0	(90)
Purchase of capital assets	<u>\$ 80,894</u>	<u>\$ 76,965</u>

(d) Interest paid:

During the year the Authority paid interest of \$6.5 million (2010 - \$7.0 million).

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Year Ended March 31, 2011, with comparative figures for 2010

14. Related party and other agency operations:

(a) Related parties:

The Authority is related through common ownership to all Province of B.C. 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 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.

- i. The financial statements include transactions with these parties in the following amounts:

	2011	2010
Revenue		
Ministry of Health Services contributions	\$ 2,217,409	\$ 2,159,219
Medical Services Plan	190,304	192,122
Other Contributions	179,009	174,166
Amortization of deferred capital contributions	76,895	68,487
Other	55,317	41,373
	<u>\$ 2,718,934</u>	<u>\$ 2,635,367</u>
Expenses		
Referred out and contracted services	\$ 39,013	\$ 15,060
Sundry	12,149	10,316
	<u>\$ 51,162</u>	<u>\$ 25,376</u>
Accounts receivable		
Other health authorities and B.C. government reporting entities	\$ 34,582	\$ 35,050
Ministry of Health Services	13,421	10,463
Medical Services Plan	6,214	5,903
	<u>\$ 54,217</u>	<u>\$ 51,416</u>
Accounts payable and accrued liabilities	\$ 14,899	\$ 17,347
Deferred operating contributions	\$ 8,563	\$ 11,685
Deferred capital contributions	\$ 683,887	\$ 714,532

- ii. During the year, the Authority sold a parcel of land to Provincial Rental Housing Corporation. The land was sold for \$2.4 million resulting in a gain on the transaction, which has been deferred as a capital contribution.

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2011, with comparative figures for 2010

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

(b) Affiliated organizations:

The financial statements of the Affiliates are not consolidated with the Authority. The excess (deficiency) of revenues over expenses and net equity (deficit) of these affiliates are as follows:

	2011	2010
Excess (deficiency) of revenues over expenses:		
Providence Health Care	\$ 2,053	\$ 118
Bella Coola General Hospital	84	(17)
R.W. Large Memorial Hospital	(170)	(175)
	\$ 1,967	\$ (74)
Net assets (deficiency):		
Providence Health Care	\$ (71,762)	\$ (73,815)
Bella Coola General Hospital	7	(77)
R.W. Large Memorial Hospital	(1,212)	(1,042)
	\$ (72,967)	\$ (74,934)

Included in accounts receivable is \$5.3 million (2010 - \$5.1 million) due from PHC, \$1.4 million (2010 - \$1.2 million) due from R.W. Large, and \$0.5 million (2010 - \$0.7 million) due from Bella Coola. Included in accounts payable is \$6.2 million (2010 - \$4.3 million) due to PHC.

(c) Hospital foundations:

The following hospital foundations raise funds for patient care for various facilities within the Authority:

- Lions Gate Hospital Foundation
- Pemberton and District Health Care Foundation
- Powell River Hospital Foundation
- Richmond Hospital Foundation
- St. Mary's Hospital Foundation
- Squamish Health Care Foundation
- VGH & UBC Hospital Foundation
- Whistler Health Care Foundation

The financial statements of the foundations have not been consolidated with those of the Authority. As at March 31, 2011, the foundations, in aggregate, held net assets of \$153.0 million (2010 - \$138.6 million). During the year, the foundations granted \$33.5 million (2010 - \$29.5 million) to various facilities within the Authority.

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15. Statement of operations:

(a) Other contributions:

	2011	2010
Provincial Health Services Authority	\$ 165,809	\$ 160,272
Other B.C. government entities	13,200	13,894
Other entities	6,382	6,478
	\$ 185,391	\$ 180,644

(b) Patients, clients and residents:

	2011	2010
Long-term and extended care	\$ 29,972	\$ 25,985
Non-residents of B.C.	14,579	13,968
Non-residents of Canada	14,377	11,554
WorkSafe BC	8,481	7,496
Preferred accommodation	5,210	4,628
Residents of B.C. self pay	3,957	4,077
Other	2,923	2,776
	\$ 79,499	\$ 70,484

(c) Other revenue:

	2011	2010
Recoveries from B.C. government entities	\$ 55,317	\$ 41,373
Other	22,319	20,189
	\$ 77,636	\$ 61,562

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15. Statement of operations (continued):

(d) Referred out and contracted services:

	2011	2010
Residential care	\$ 250,299	\$ 242,314
Community care	158,779	158,727
Food services	29,257	25,079
Other referred out services	27,820	4,716
Housekeeping	23,049	21,722
Laundry	12,409	12,302
Security	7,268	7,914
	<u>\$ 508,881</u>	<u>\$ 472,774</u>

(e) Supplies:

	2011	2010
Medical, surgical and patient	\$ 88,275	\$ 92,800
Drugs and medical gases	57,841	55,951
Other	28,397	23,462
Plant operations	17,192	17,822
Diagnostic	15,985	15,741
Office	5,796	5,160
	<u>\$ 213,486</u>	<u>\$ 210,936</u>

(f) Sundry:

	2011	2010
Rent	\$ 17,581	\$ 15,534
Other	16,213	9,849
Professional, management and membership fees	14,233	13,033
Communications and data processing	10,495	10,846
Staff travel	5,460	5,880
Patient transport	4,193	2,601
	<u>\$ 68,175</u>	<u>\$ 57,743</u>

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16. Capital management:

The Authority receives its principal source of capital through funding received from the Ministry. The Authority defines capital to be net assets, long-term debt and deferred capital contributions.

The Authority's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Authority manages the capital structure in conjunction with the Ministry and makes adjustments based on available government funding and economic conditions. Currently, the Authority's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by 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. The Authority has complied with the external restrictions on the funding provided.