

Consolidated Financial Statements  
(Expressed in thousands of dollars)

**PROVINCIAL HEALTH SERVICES AUTHORITY**

Year ended March 31, 2012



## Provincial Health Services Authority Management Report

The consolidated financial statements of the Provincial Health Services Authority (the "Authority") were prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied, and include amounts based upon management's best estimates and judgments. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 21, 2012.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors has established an Audit Committee to provide oversight in the fulfillment by management of these responsibilities. The Committee, comprised of directors who are not employees, meets with management, internal assurance staff and external auditors with regard to the proper discharge of management's responsibilities with respect to consolidated financial statements presentation, disclosure and recommendations on internal control.

The internal assurance function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee.

The consolidated financial statements have been examined by KPMG LLP, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, fairly presents the Authority's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Their Auditors' Report, which follows, outlines the scope of their examination and their opinion.

  
\_\_\_\_\_  
President and Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

Vancouver, BC  
June 21, 2012



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## INDEPENDENT AUDITORS' REPORT

To the Board of Provincial Health Services Authority and Minister of Health, Province of British Columbia

We have audited the accompanying consolidated financial statements of Provincial Health Services Authority which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated statements of operations, changes in net assets (deficiency) 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Provincial Health Services Authority as at March 31, 2012, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Report on Other Legal and Regulatory Requirements*

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.



Chartered Accountants

June 21, 2012  
Vancouver, Canada

# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash	\$ 51,927	\$ 72,213
Restricted cash	173	189
Short-term investments (note 2)	26,685	19,983
Accounts receivable (note 3)	222,367	124,545
Inventories of materials and supplies (note 4)	48,001	47,336
Prepaid expenses	8,623	8,149
	<u>357,776</u>	<u>272,415</u>
Long-term investments (note 2)	36,071	35,727
Capital assets (note 5)	881,353	811,273
Long-term disability benefits (note 10(b)(i))	5,231	2,098
	<u>\$ 1,280,431</u>	<u>\$ 1,121,513</u>

## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 293,041	\$ 232,198
Deferred operating contributions (note 7)	13,049	21,215
Deferred contributions for designated purposes (note 8)	38,239	39,592
Current portion of obligations under capital leases (note 9)	136	207
Current portion of long-term debt (note 11)	35	-
Current portion of retirement allowance (note 10(a))	5,440	5,139
	<u>349,940</u>	<u>298,351</u>
Long-term obligations under capital leases (note 9)	27	43
Retirement allowance (note 10(a))	58,186	54,159
BC Public Service Long Term Disability Plan (note 10(c))	11,530	-
Asset retirement obligations (note 14(d))	6,004	2,744
Long-term accounts payable (note 17)	13,268	9,858
Long-term debt (note 11)	16,218	14,356
Deferred capital contributions (note 12)	751,444	668,929
	<u>1,206,617</u>	<u>1,048,440</u>
Net assets (deficiency):		
Invested in capital assets (note 13(a))	151,995	148,754
Internally restricted	448	448
Unrestricted	(78,629)	(76,129)
	<u>73,814</u>	<u>73,073</u>
	<u>\$ 1,280,431</u>	<u>\$ 1,121,513</u>

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director



# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Operations  
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Ministry of Health contributions	\$ 1,763,931	\$ 1,351,171
Medical Services Plan	186,427	162,935
Other (note 15(c))	182,940	88,582
Other contributions (note 15(a))	101,609	109,291
Amortization of deferred capital contributions	78,009	69,425
Patients, clients and residents (note 15(b))	16,447	13,742
Pharmacare	6,199	6,072
Investment income	2,342	2,365
Research and designated contributions	79,947	78,593
	2,417,851	1,882,176
Expenses:		
Compensation and benefits (note 16)	1,101,533	782,531
Referred-out and contracted services (note 15(d))	615,921	538,249
Supplies (note 15(e))	285,802	270,595
Equipment and building services	173,967	80,612
Sundry (note 15(f))	80,009	60,450
Amortization of capital assets	79,174	70,482
Loss on disposal of capital assets	576	-
Accretion of asset retirement obligations	181	90
Research and designated expenses	79,947	78,593
	2,417,110	1,881,602
Excess of revenues over expenses	\$ 741	\$ 574

See accompanying notes to consolidated financial statements.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Changes in Net Assets (Deficiency)

(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	Invested capital assets	Internally restricted	Unrestricted	Total	
				2012	2011
Balance, beginning of the year	\$ 148,754	\$ 448	\$ (76,129)	\$ 73,073	\$ 72,499
Excess (deficiency) of revenues over expenses	(1,741)	-	2,482	741	574
Transfer to invested in capital assets (note 13(c))	4,982	-	(4,982)	-	-
Balance, end of year	\$ 151,995	\$ 448	\$ (78,629)	\$ 73,814	\$ 73,073

See accompanying notes to consolidated financial statements.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Cash Flows  
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 741	\$ 574
Items not involving cash:		
Amortization of capital assets	79,174	70,482
Amortization of deferred capital contributions	(78,009)	(69,425)
Accretion of asset retirement obligations	181	90
Loss on disposal of capital assets	576	-
Retirement allowance expense	8,264	11,103
Long-term disability benefits expense	8,041	10,101
Excess of assets over recoverable amount (note 14(d))	1,667	-
<u>Net change in non-cash operating items (note 18)</u>	<u>(32,681)</u>	<u>2,323</u>
	(12,046)	25,248
Cash flows from investing activities:		
Purchase of investments	(27,446)	(10,799)
Proceeds from redemption of investments	20,400	17,677
Purchase of capital assets	(107,916)	(74,485)
<u>Asset retirement cost paid</u>	<u>(104)</u>	<u>-</u>
	(115,066)	(67,607)
Cash flows from financing activities:		
Capital contributions	122,271	79,450
Repayment of capital leases	(335)	(255)
Retirement allowance benefits paid	(3,936)	(3,642)
<u>Long-term disability benefits contributions</u>	<u>(11,174)</u>	<u>(9,538)</u>
	106,826	66,015
Increase (decrease) in cash	(20,286)	23,656
Cash, beginning of year	72,213	48,557
<u>Cash, end of year</u>	<u>\$ 51,927</u>	<u>\$ 72,213</u>

See accompanying notes to consolidated financial statements.



# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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Provincial Health Services Authority (“PHSA” or the “Authority”) was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia (“BC”). The Authority is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Authority is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The Authority was established to manage the quality, coordination, accessibility, and cost of certain province wide health-care programs and services through the governance of selected provincial agencies and programs.

The agencies/programs (individually and collectively the “Agencies”) of PHSA are:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Cardiac Services British Columbia;
- Children’s & Women’s Health Centre of British Columbia Branch;
- Emergency and Health Services Commission;
- Forensic Psychiatric Services Commission;
- Health Shared Services BC; and
- Mental Health and Addictions Research Institute.

The Authority also has the responsibility for planning, coordinating, monitoring, evaluating and, in certain cases, funding a number of highly specialized health services to ensure access for all British Columbians.

Effective April 1, 2011, the financial operations of the Emergency and Health Services Commission were transferred to PHSA to align BC’s pre-hospital services with the health care system. The transfer included the assets of the Emergency and Health Services Commission of \$40,423 and liabilities of \$10,654.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies:

### (a) Basis of presentation:

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

The consolidated financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 19(b)) that support the activities of the Authority and other organizations that provide services under contracts with the Authority.

### (b) Revenue recognition:

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

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

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.

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 into 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.

### (c) 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.

### (d) Short-term investments:

Short-term investments include banker's acceptances, treasury bills and bonds and are recorded at amortized cost adjusted for any permanent declines in value.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

(e) Inventories of materials and supplies:

Inventories are recorded at the lower of weighted average cost and replacement cost. Certain specific inventory items are purchased on consignment and are not included in inventory.

(f) Long-term investments:

Long-term investments include bonds and bankers' acceptances that are not expected to mature within the next fiscal year and are recorded at cost. Where the market value of long-term investments becomes lower than cost and this decline in value is considered to be other than temporary, the long-term investments are written down to market value.

(g) 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 amortization on its assets on a straight-line basis over the useful life of the assets as follows:

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Land improvements	20 years
Buildings	20 - 50 years
Leasehold improvements	Lease term to a maximum of 20 years
Building service equipment	15 - 20 years
Equipment	3 - 20 years
Equipment under capital lease	5 - 7 years
Software license fees	3 - 5 years
Vehicles	4 - 7 years

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(h) Internally restricted net assets:

The Authority has internally restricted certain funds for capital asset acquisitions. Use of these funds is limited to the related terms of reference as approved by the Board.

(i) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined long-term disability benefits as employees render services to earn the benefits.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (i) Employee future benefits (continued):

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 benefit obligation 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 (2011 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined long-term disability benefits is 10 years (2011 - 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.

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

### (j) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost 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.

### (k) 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. 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 determination of rates of amortization of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits and long-term disability, and accrued liabilities resulting from implementing the Mental Health Plan (see note 16). Actual results could differ from the estimates.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 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 receivables and investments which are designated as held-to-maturity.

- 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 consolidated statement of operations.
- Held-to-maturity investments and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, 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 consolidated statement of changes in net assets until the financial instruments are de-recognized or other than temporarily impaired at which time the amounts are recorded in the consolidated statement of operations. The Authority has not classified any assets or liabilities as available-for-sale.

Derivative instruments are 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 the transaction that received hedge accounting.

The Authority's financial instruments include cash, restricted cash, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Authority is not exposed to significant interest, 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 short-term and long-term investments which are disclosed in note 2.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (l) Financial instruments (continued):

The Authority has elected not to apply the 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.

### (m) Capitalization of public private partnership projects:

Public-private partnership (P3) projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets are estimated at fair value, based on progress billings verified by an independent certifier, and also includes other costs incurred by the Authority. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received during the construction term. The interest rate used is the project internal rate of return. Upon completion, the project assets will be amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received, during the construction period, is recorded as a liability and included in the long-term debt. The obligation will be met as part of the monthly payments over the term of the Project Agreement.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

### (n) Future accounting framework:

Effective April 1, 2012, the Authority will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Authority is reviewing the impact of these changes on the consolidated financial statements.

## 2. Investments:

Investments consist of money market instruments, short-term bonds (maturity less than 1 year) and long-term bonds (maturity between 1 to 5 years), which have been designated as held to maturity financial instruments.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 2. Investments (continued):

The cost and quoted market value of the investments are as follows:

2012	Amortized cost	Market value
Short-term bonds	\$ 26,685	\$ 26,740
Long-term bonds	36,071	36,021
	\$ 62,756	\$ 62,761

2011	Amortized cost	Market value
Short-term bonds	\$ 19,983	\$ 20,153
Long-term bonds	35,727	35,912
	\$ 55,710	\$ 56,065

## 3. Accounts receivable:

	2012	2011
Ministry of Health	\$ 110,894	\$ 43,325
Other health authorities and BC government reporting entities	63,430	30,639
Hospital foundations and auxiliaries	8,945	18,456
Federal and provincial sales taxes	8,443	6,023
Research grants	6,138	3,749
Patients, clients and agencies	3,529	4,630
Medical Services Plan	2,198	2,159
Other BC ministries	118	515
Other	21,689	16,950
	225,384	126,446
Less allowance for doubtful accounts	(3,017)	(1,901)
	\$ 222,367	\$ 124,545



# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 4. Inventories of materials and supplies:

The Authority's inventories of \$48,001 (2011 - \$47,336) are recorded at the lower of weighted average cost and replacement cost and consist of biological, pharmaceutical, medical/surgical, and other materials and supplies. During the year, \$193,480 (2011 - \$200,993) of inventories were expensed by the Authority.

At March 31, 2012, inventories include \$4,391 of pandemic biologicals inventory which expire between fiscal years 2013 to 2014 and \$18,949 which expire between fiscal years 2015 to 2018.

## 5. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Land	\$ 141,250	\$ -	\$ 141,250
Land improvements	2,083	2,041	42
Buildings	620,308	196,731	423,577
Building service equipment	34,919	12,557	22,362
Construction in progress	102,098	-	102,098
Leasehold improvements	23,494	13,526	9,968
Equipment	516,308	403,365	112,943
Equipment under capital lease	1,142	983	159
Equipment in progress	33,130	-	33,130
Software license fees	17,231	17,059	172
Vehicles	76,169	40,517	35,652
	<b>\$ 1,568,132</b>	<b>\$ 686,779</b>	<b>\$ 881,353</b>

2011	Cost	Accumulated amortization	Net book value
Land	\$ 141,250	\$ -	\$ 141,250
Land improvements	2,083	2,031	52
Buildings	614,390	179,594	434,796
Building service equipment	33,936	10,167	23,769
Construction in progress	53,216	-	53,216
Leasehold improvements	19,046	10,995	8,051
Equipment	483,630	355,420	128,210
Equipment under capital lease	1,282	1,118	164
Equipment in progress	18,465	-	18,465
Software license fees	17,098	16,919	179
Vehicles	5,701	2,580	3,121
	<b>\$ 1,390,097</b>	<b>\$ 578,824</b>	<b>\$ 811,273</b>

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 5. Capital assets (continued):

The British Columbia Cancer Agency Branch (BCCA) entered into a multi-year public-private-partnership contract with the private sector partner Plenary Health Prince George GP (Plenary Health) on December 18, 2009 to build the BC Cancer Agency Centre for the North (Cancer Centre) in Prince George, British Columbia. Under the agreement, Plenary Health will design, construct, finance, and maintain the facilities until the end of the term of the agreement in September 2042. The planned completion date for the Cancer Centre is fall 2012, and the parkade was completed in summer 2010 and is in use.

The cost of the asset is estimated at fair value, based on progress billings verified by an independent certifier, and also includes costs incurred by the Authority. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the Project Agreement. Interest incurred during construction is also included in the asset cost and is calculated on the P3 asset value, less amounts repaid during the construction term. The interest rate used is 7.89%. During the year, \$1,897 (2011 - \$679) of interest has been capitalized to construction in progress.

The total construction budget for the Cancer Centre project is \$69,912, with Plenary Health contributing funding of \$13,618 into the project. The balance of the funding has been committed by the Ministry of Health. In addition, the Ministry of Health will provide \$22,760 of capital funds for equipment and information technology, planning and procurement, and other capital expenditures. As at March 31, 2012, there was \$67,427 (2011 - \$36,024) included in construction in progress related to this project and \$11,756 (2011 - \$11,756) included in buildings related to this project.

## 6. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accrued liabilities	\$ 156,369	\$ 117,385
Salaries and benefits payable	76,912	55,209
Accrued vacation pay	49,332	44,202
Accrued Mental Health Plan costs (note 16)	10,255	15,213
Patient trust funds	173	189
	<u>\$ 293,041</u>	<u>\$ 232,198</u>

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 7. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2012	2011
Deferred operating contributions, beginning of year	\$ 21,215	\$ 35,001
Less amount recognized as revenue in the year	(9,596)	(16,385)
Add amount received for future periods	1,430	2,599
Deferred operating contributions, end of year	\$ 13,049	\$ 21,215

## 8. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent contributions for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when the related expenses are incurred.

	2012	2011
Deferred contributions for designated purposes, beginning of year	\$ 39,592	\$ 30,110
Less amount recognized as revenue in the year	(79,947)	(78,593)
Add amount received for future periods	78,594	88,075
Deferred contributions for designated purposes, end of year	\$ 38,239	\$ 39,592

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 9. Obligations under capital leases:

Certain agencies lease equipment over terms which expire between fiscal years 2013 and 2014. The following is a schedule of minimum lease payments under fixed rate capital leases, together with the balance of the obligations.

	2012	2011
2012	\$ -	\$ 216
2013	138	33
2014	28	10
Total minimum lease payments	166	259
Amount representing interest at a weighted average rate of 1.74% (2011 - 3.52%)	(3)	(9)
Present value of capital lease payments	163	250
Current portion of obligations under capital leases	136	207
Long-term portion of obligations under capital leases	\$ 27	\$ 43

## 10. Employee benefits:

### (a) Retirement allowance:

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

The Authority's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2009 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2012 are derived, and an extrapolation of the valuation performed as at December 31, 2009, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 10. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	\$ 16,271	\$ 14,926
Severance benefits	40,009	35,670
Total unfunded obligation	56,280	50,596
Balance of unamortized amounts	7,346	8,702
Accrued retirement allowance benefits	63,626	59,298
Current portion	5,440	5,139
Long-term portion	\$ 58,186	\$ 54,159
Retirement allowance expense	\$ 6,709	\$ 11,103
Transfer of Emergency and Health Services		
Commission employees	1,831	-
Transfer of employees to other health authorities	(276)	-
Net retirement allowance expense	\$ 8,264	\$ 11,103
Benefits paid	3,936	3,642

During the year ended March 31, 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 10. Employee benefits (continued):

### (a) Retirement allowance (continued):

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

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%

### (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.

#### (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 liabilities are reflected in these consolidated financial statements.

The Authority's March 31, 2012 liabilities are based on an actuarial valuation using an early measurement date of December 31, 2011. The next required valuation will be as of December 31, 2012.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2012	2011
Accrued benefit obligation	\$ 47,494	\$ 49,852
Fair value of plan assets	47,530	41,510
Net (surplus) unfunded obligation, December 31	(36)	8,342
Balance of unamortized amounts	(5,032)	(7,546)
Contributions to the plan, January to March	(2,919)	(2,894)
Adjustment for non-taxable pool	2,756	-
Accrued long-term disability asset	\$ (5,231)	\$ (2,098)
Long-term disability expense	\$ 8,041	\$ 10,101
Benefits paid	6,400	6,999

The plan assets consist of:

	2012	2011
Debt securities	55%	54%
Foreign equities	25	25
Equity securities	20	20
Other	-	1
	100%	100%



# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	3.70%	4.30%
Rate of benefit increase	2.00%	2.50%
Benefit cost for years ended March 31:		
Discount rate	4.30%	4.90%
Expected long-term rate of return on plan assets	5.50%	6.00%
Rate of benefit increase	2.00%	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. Contributions to the Trust of \$16,457 (2011 - \$15,685) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2011 indicated a surplus of \$30,853 (December 31, 2010 - \$17,300). The plan covers approximately 86,000 active employees of which 7,395 (2011 - 7,149) are employees of the Authority. The next required valuation will be as of December 31, 2012.

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

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 10. Employee benefits (continued):

### (c) BC Public Service Long Term Disability Plan:

The BC Public Service administers the Long Term Disability Plan (the "Plan") for the employees of British Columbia Mental Health Society (Riverview) Branch and other provincially-funded organizations. The Plan is a multiple-employer plan with the Authority's assets and liabilities for these long-term disability benefits segregated.

At March 31, 2012, the Authority assumed financial responsibility of the Plan for the employees of British Columbia Mental Health Society (Riverview) Branch and accordingly the net liability is reflected in these consolidated financial statements as of the transfer date.

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

The assets of the Plan are valued at market and consist of direct ownership in units of pooled investment portfolios managed by the British Columbia Investment Management Corporation.

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

	2012
Accrued benefit obligation	\$ 12,748
Fair value of plan assets	1,189
Net unfunded obligation, December 31	11,559
Balance of unamortized amounts	220
Contributions to the plan, January to March	(249)
Accrued long-term disability liability	\$ 11,530

The significant actuarial assumptions adopted in measuring the accrued long-term disability benefits are as follows:

	2012
Accrued benefit obligation as at March 31:	
Discount rate	6.00%
Rate of benefit increase	2.00%
Benefit cost for years ended March 31:	
Discount rate	6.00%
Rate of benefit increase	2.00%

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 10. Employee benefits (continued):

(d) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*, and to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan.

Employer contributions to the Municipal Pension Plan of \$44,657 (2011 - \$36,411) 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 valuation as at December 31, 2009 indicated an unfunded liability of \$1,024,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 173,000 active members of which 8,577 are employees of the Authority. The next required valuation will be as at December 31, 2012, with results available in 2013.

Employer contributions to the Public Service Pension Plan of \$18,788 (2011 - \$5,944) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated an unfunded liability of \$275,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 57,000 active members of which 4,467 are employees of the Authority. The next valuation will be as at March 31, 2014 with results available in 2015.

The Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan is a single employer defined contribution plan. Employer contributions to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan of \$2,569 were expensed during the year. As at March 31, 2012, the plan covered 1,428 active members, all of which are employees of the Authority.

## 11. Long-term debt:

	2012	2011
Public private partnership obligation:		
Northern Cancer Centre, 30 year contract term with Plenary Health, interest at 7.89% per annum, construction completion fiscal 2013	\$ 16,253	\$ 14,356
Current portion	35	-
Long-term portion	\$ 16,218	\$ 14,356

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 11. Long-term debt (continued):

Required principal repayments on long-term debt for the years ending March 31 are:

2013	\$	35
2014		74
2015		80
2016		86
2017		93
Thereafter		15,885
	\$	16,253

## 12. 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 consolidated statement of operations.

	2012	2011
Deferred capital contributions, beginning of year	\$ 668,929	\$ 658,904
Ministry of Health	101,032	65,390
Contribution of Emergency and Health Services		
Commission assets	38,253	-
Foundations and auxiliaries	13,478	7,265
Other	7,761	6,795
	160,524	79,450
Less amortization for the year	(78,009)	(69,425)
Deferred capital contributions, end of year	\$ 751,444	\$ 668,929

Deferred capital contributions are comprised of the following:

	2012	2011
Contributions used to purchase capital assets	\$ 712,942	\$ 647,913
Unspent contributions	38,502	21,016
	\$ 751,444	\$ 668,929

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 13. Invested in capital assets:

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

	2012	2011
Capital assets	\$ 881,353	\$ 811,273
Amounts financed by:		
Deferred capital contributions	(712,942)	(647,913)
Obligations under capital leases	(163)	(250)
Long-term debt	(16,253)	(14,356)
	(729,358)	(662,519)
	\$ 151,995	\$ 148,754

(b) Deficiency of revenues over expenses:

	2012	2011
Amortization of deferred capital contributions	\$ 78,009	\$ 69,425
Amortization of capital assets	(79,174)	(70,482)
Loss on disposal of capital assets	(576)	-
	\$ (1,741)	\$ (1,057)

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	\$ 109,813	\$ 75,476
Contribution of Emergency and Health Services		
Commission assets	38,501	-
Asset retirement obligations (note 14(d))	1,516	(81)
Amounts funded by:		
Deferred capital contributions	(104,785)	(73,183)
Contribution of Emergency and Health Services		
Commission assets	(38,253)	-
Long-term debt	(1,897)	(991)
Capital leases	(248)	-
Principal payments of obligations under capital leases	335	255
	\$ 4,982	\$ 1,476

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 14. Commitments and contingencies:

(a) Operating leases:

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

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2013	\$	8,101
2014		6,417
2015		5,789
2016		5,750
2017		3,917
Thereafter		44,198
	\$	74,172

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The British Columbia Mental Health Society (Riverview) Branch, British Columbia Centre for Disease Control and Prevention Society Branch and Forensic Psychiatric Services Commission lease land and buildings through an operating lease with Shared Services BC (SSBC) of the Ministry of Labour, Citizens' Services & Open Government. Lease payments shown are for base rent. The terms and conditions are negotiated annually. Included in the above is \$1,242 for lease payments to SSBC for the year ending March 31, 2013.

(b) Litigation and claims:

The nature of the Authority's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2012, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is 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.

(c) Risk management:

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

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 14. Commitments and contingencies (continued):

### (d) Asset retirement obligations:

The Authority has accrued asset retirement obligations of \$6,004 (2011 - \$2,744) representing the fair value of the legal obligations related to leased and owned premises and land after charges for accretion and amortization. The settlement of these obligations will occur at the expiry of the leases and as owned premises undergo renovations, or as land reclamation activities occur. The fair value of the legal obligation was determined by discounting the estimated cash outflows of \$6,642 (2011 - \$2,243) over the respective lease terms and until renovations are undertaken, or over the expected time period of land reclamation activities, at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.00% for new obligations (2011 - 4.81%). The asset retirement obligations have been capitalized as part of capital assets. The asset retirement obligations capitalized in respect of leasehold improvements will be amortized over the respective premise lease terms and over the time period until renovations are completed. The asset retirement obligations capitalized in respect of land are not amortized.

As at March 31, 2012, an estimate of the obligation for reclamation of contaminated land was obtained, which resulted in an increase of the respective asset retirement obligation by \$1,667. The corresponding increase in the related asset was concluded not to be recoverable in the future, and the amount was recognized in the statement of operations.

The Authority has not accrued asset retirement obligations for buildings that were previously acquired and may contain asbestos that require special handling procedures where there is no current plan for significant renovation, as the fair value of the retirement obligations cannot be reasonably estimated until there is a reasonably determinate settlement date for the major renovation or demolition of the buildings. These asset retirement obligations will be recognized as a liability in the period when the fair value can be reasonably estimated.

### (e) Service payments:

As disclosed in note 1(m), the Authority has signed an agreement with Plenary Health to make periodic payments for facility rehabilitation and maintenance services of the BC Cancer Agency Centre for the North commencing in fiscal 2013 until the end of the agreement in fiscal 2043.



# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 14. Commitments and contingencies (continued):

(e) Service payments (continued):

The aggregate payments under the agreement are as follows:

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2013	\$	543
2014		1,098
2015		1,162
2016		1,307
2017		1,426
Thereafter		58,509
	\$	64,045

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## 15. Statement of operations:

(a) Other contributions:

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	2012	2011
Other health authorities	\$ 78,941	\$ 78,941
Foundations and auxiliaries	12,332	13,245
Other Ministries	4,193	5,720
Federal government	2,593	7,729
Other	3,550	3,656
	\$ 101,609	\$ 109,291

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(b) Patients, clients and residents revenue:

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	2012	2011
Non-residents of BC	\$ 6,799	\$ 5,398
Preferred accommodation	2,713	2,508
Residents of BC - self pay	2,702	2,334
Non-residents of Canada	2,398	1,348
Federal government	1,001	1,433
Other	834	721
	\$ 16,447	\$ 13,742

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# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 15. Statement of operations (continued):

(c) Other revenues:

	2012	2011
Recoveries from other health authorities and BC government reporting entities	\$ 149,751	\$ 62,706
Recoveries from sales of goods and services	25,631	19,151
Parking	4,236	4,207
Drug sales	1,875	1,655
Other	1,447	863
	<hr/>	<hr/>
	\$ 182,940	\$ 88,582

(d) Referred out and contracted services:

	2012	2011
Other health authorities and BC government reporting entities	\$ 504,906	\$ 460,826
Private contractors	111,015	77,423
	<hr/>	<hr/>
	\$ 615,921	\$ 538,249

(e) Supplies:

	2012	2011
Drugs and medical gases	\$ 183,860	\$ 186,536
Medical and surgical	52,867	48,192
Diagnostic	22,620	20,258
Printing, stationery and office	4,940	3,599
Food and dietary	2,999	3,743
Laundry and linen	2,095	650
Housekeeping	663	522
Other	15,758	7,095
	<hr/>	<hr/>
	\$ 285,802	\$ 270,595

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 15. Statement of operations (continued):

(f) Sundry:

	2012	2011
Professional fees	\$ 28,096	\$ 23,502
Travel	10,564	6,997
Communication and data processing	7,132	4,017
Other	34,217	25,934
	<u>\$ 80,009</u>	<u>\$ 60,450</u>

## 16. Compensation and benefits:

The Authority is in the process of implementing the Mental Health Plan approved by the Ministry of Health. The purpose of the plan is to decentralize mental health care services throughout British Columbia. The plan will be substantially completed in the coming year and will culminate in cessation of the operations of British Columbia Mental Health Society (Riverview) Branch. The anticipated costs of the plan consist of severance, benefits and related expenses.

In the prior year, the financial statements included accruals for the compensation, benefits and employment security expenses of \$15,213. As at March 31, 2012, management has revised the estimated accrual to account for the reduction in the number of eligible employees which resulted in a decrease in the accrual of \$946. During the year, \$4,012 was paid out as severance, benefits and related expenses. The total remaining accrual of \$10,255 is recorded in Accrued Mental Health Plan costs. These amounts represent management's best estimate of the expenses required to implement the plan. However, other expenses may be incurred and recorded in future years as the plan is implemented.

## 17. Abbotsford Regional Hospital and Cancer Centre:

The Abbotsford Regional Hospital and Cancer Centre ("ARHCC") commenced providing services in August 2008. Under the terms of an agreement, Access Health Abbotsford Ltd. (AHA) will maintain the ARHCC until May 2038. Payment guarantees have been provided by the Province of British Columbia for the payment obligations to AHA.

The PHSA and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 common shares are held by the PHSA. The shares were acquired at a cost of one dollar per share. The investment has been recorded at cost.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 17. Abbotsford Regional Hospital and Cancer Centre (continued):

Required principal repayments on long-term accounts payable in connection with ARHCC, interest 7.75% per annum, for the years ending March 31 are:

2015	\$	69
2016		169
2017		279
Thereafter		12,751
	\$	13,268

## 18. Statement of cash flows:

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

	2012	2011
Net change in non-cash operating items:		
Restricted cash	\$ 16	\$ (22)
Accounts receivable	(86,292)	(28,637)
Inventories of materials and supplies	(665)	10,635
Prepaid expenses	(474)	(2,326)
Accounts payable and accrued liabilities	60,843	23,510
Long-term accounts payable	3,410	3,467
Deferred operating contributions	(8,166)	(13,786)
Deferred contributions for designated purposes	(1,353)	9,482
	\$ (32,681)	\$ 2,323
Non-cash transactions:		
Assumption of BC Public Service Long Term Disability Plan liability and related amount receivable	\$ 11,530	\$ -

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 18. Statement of cash flows (continued):

### (b) Purchase of capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of capital assets on the statement of cash flows.

	2012	2011
Purchase of capital assets (note 13(c))	\$ 109,813	\$ 75,476
Supplementary information:		
Cash paid for interest on capital leases	\$ 8	\$ 17
Non-cash transactions:		
Additions to asset retirement obligations	3,183	735
Capital asset additions funded through Plenary Health (note 5)	1,897	991
Contribution of EHSC assets	38,253	-
Transfer of EHSC capital leases	248	-

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## 19. Related parties:

The Authority is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities, and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered 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.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 19. Related parties (continued):

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

	2012	2011
Revenues:		
Ministry of Health contributions	\$ 1,763,931	\$ 1,351,171
Medical Services Plan	186,427	162,935
Other	150,060	63,702
Other contributions	83,197	84,663
Amortization of deferred capital contributions	57,485	56,642
Patients, clients and residents	6,799	5,398
Pharmacare	6,199	6,072
	<u>\$ 2,254,098</u>	<u>\$ 1,730,583</u>
Expenses:		
Referred out and contracted services	\$ 507,382	\$ 461,623
Equipment and building services	34,675	36,523
Compensation and benefits	30,148	34,972
Research and designated expenses	9,330	8,586
Sundry	5,159	8,224
Supplies	2,686	2,227
	<u>\$ 589,380</u>	<u>\$ 552,155</u>
Accounts receivable:		
Other health authorities and BC government reporting entities	\$ 63,548	\$ 31,154
Medical Services Plan	2,198	2,159
Ministry of Health	110,894	43,325
	<u>\$ 176,640</u>	<u>\$ 76,638</u>
Accounts payable and accrued liabilities	\$ 51,078	\$ 42,779
Long-term accounts payable	\$ 13,268	\$ 9,858
Deferred operating contributions	\$ 8,423	\$ 14,680
Deferred capital contributions	\$ 555,830	\$ 472,682

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 19. Related parties (continued):

### (b) Foundations and auxiliaries:

The following foundations and auxiliaries were established to raise funds for the respective hospitals and/or health services within the Authority. The foundations and the auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia*. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The net assets and results from operations of the foundations and the auxiliaries are not included in the consolidated statements of the Authority.

The following branches of the Authority have an economic interest in the foundations and auxiliaries listed under them:

British Columbia Cancer Agency Branch:  
BC Cancer Foundation

British Columbia Transplant Society Branch:  
British Columbia Transplant Foundation

Children's & Women's Health Centre of British Columbia Branch:  
British Columbia's Children's Hospital Foundation  
Sunny Hill Foundation for Children  
British Columbia's Women's Hospital and Health Centre Foundation  
The Auxiliary to British Columbia's Children's Hospital  
British Columbia's Women's Hospital and Health Centre Auxiliary  
Auxiliary to Sunny Hill Centre for Children  
British Columbia Centre of Excellence for Women's Health Society

British Columbia Mental Health Society (Riverview) Branch:  
British Columbia Mental Health Foundation

British Columbia Centre for Disease Control and Prevention Society Branch:  
BCCDC Foundation for Population and Public Health

During the year, the Authority received the following contributions from the foundations:

	2012	2011
Operations, net	\$ (9,482)	\$ 2,049
Research	15,361	13,953
Other designated purposes, net	42,367	39,320
Capital	11,253	8,708
	<hr/> \$ 59,499	<hr/> \$ 64,030

At March 31, 2012, the foundations and auxiliaries held net assets of \$215,981 (2011 - \$199,501).

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## **20. Capital management:**

PHSA receives its principal source of capital through funding received from the Ministry of Health. 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. PHSA manages the capital structure in conjunction with the Ministry of Health 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 of Health.

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.

## **21. Comparative figures:**

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