

## BC ACADEMIC HEALTH COUNCIL

Financial Statements  
December 31, 2013

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Smythe Ratcliffe LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of BC Academic Health Council and meet when required. The accompanying auditors' report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of BC Academic Health Council



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

January 31, 2014

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF BC ACADEMIC HEALTH COUNCIL

#### Report on the Financial Statements

We have audited the accompanying financial statements of BC Academic Health Council, which comprise the statement of financial position as at December 31, 2013, and statements of operations and accumulated deficit, change in net financial assets and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management of the Council based on the financial reporting requirements of BC Regulation 198/2011 of the *Budget Transparency and Accountability Act* of British Columbia (the "requirements").

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the BC Academic Health Council as at December 31, 2013 and the results of its operations, change in its financial assets and its cash flows for the nine-month period then ended in accordance with the requirements.

#### *Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the BC Academic Health Council to comply with the financial reporting requirements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the BC Academic Health Council and the Office of the Auditor General of British Columbia and should not be distributed to or used by parties other than the BC Academic Health Council and the Office of the Auditor General of British Columbia.

**Report on Other Legal and Regulatory Requirements**

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

*Smythe Ratcliffe LLP*

Chartered Accountants

Vancouver, British Columbia  
January 31, 2014

**BC ACADEMIC HEALTH COUNCIL**  
**Statement of Financial Position**

	December 31, 2013	March 31, 2013
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 487,820	\$ 1,321,566
Accounts receivable	425,439	98,557
GST/HST receivable	6,593	5,876
	919,852	1,425,989
<b>Liabilities</b>		
Accounts payable and accrued liabilities	423,262	582,279
Restricted contributions (note 4)	0	51,388
	423,262	633,667
<b>Net Financial Assets</b>	496,590	792,322
<b>Non-Financial Assets</b>		
Prepaid expenses	0	2,530
Tangible capital assets (note 5)	0	8,647
	0	11,177
<b>Accumulated Net Assets</b>	\$ 496,590	\$ 803,499

Approved on behalf of the Board:

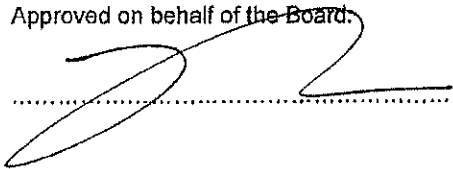
 ..... Director

..... Director

**BC ACADEMIC HEALTH COUNCIL**  
**Statement of Financial Position**

	December 31, 2013	March 31, 2013
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 487,820	\$ 1,321,556
Accounts receivable	425,439	98,557
GST/HST receivable	6,593	5,876
	919,852	1,425,989
<b>Liabilities</b>		
Accounts payable and accrued liabilities	423,262	582,279
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	0	11,177
<b>Accumulated Net Assets</b>	\$ 496,590	\$ 803,499

Approved on behalf of the Board:

  
 ..... Director  
 ..... Director

**BC ACADEMIC HEALTH COUNCIL**  
**Statement of Operations and Accumulated Deficit**

	Budget (note 2(e))	Nine-Month Period Ended December 31, 2013	Year Ended March 31, 2013
<b>Revenues</b>			
Licenses	\$ 1,622,700	\$ 1,230,724	\$ 1,297,084
Grants	14,400	18,837	2,069,808
Interest	8,000	7,533	16,328
Fees	0	0	550,000
	1,645,100	1,257,094	3,933,220
Refund of HSPnet hardware renewal fees	0	(20,004)	0
	1,645,100	1,237,090	3,933,220
<b>Expenses (note 9)</b>			
HSPnet	1,343,400	1,048,188	1,467,404
Administration	304,600	353,753	532,006
Projects	57,200	62,058	2,239,909
	1,705,200	1,463,999	4,239,319
<b>Decrease in Accumulated Surplus</b>	<b>\$ (60,100)</b>	<b>\$ (226,909)</b>	<b>\$ (306,099)</b>

**BC ACADEMIC HEALTH COUNCIL**  
**Statement of Change in Net Financial Assets**

	Nine-Month Period Ended December 31, 2013	Year Ended March 31, 2013
<b>Accumulated Surplus</b>		
Decrease in accumulated surplus	\$ (226,909)	\$ (306,099)
Capital additions	0	(5,974)
Decrease in prepaid expenses	2,530	3,151
Depreciation	8,647	7,091
Transfer of e-HLbc funding to Simon Fraser University	(80,000)	0
	(295,732)	(301,831)
<b>Net Financial Assets, Beginning of Period</b>	792,322	1,094,153
<b>Net Financial Assets, End of Period</b>	<b>\$ 496,590</b>	<b>\$ 792,322</b>



**BC ACADEMIC HEALTH COUNCIL**  
**Statement of Cash Flows**

	Nine-Month Period Ended December 31, 2013	Year Ended March 31, 2013
<b>Operating Activities</b>		
Decrease in accumulated surplus	\$ (226,909)	\$ (306,099)
Transfer of e-HLbc funding to Simon Fraser University Item not involving cash	(80,000)	0
Amortization	8,647	7,091
	(298,262)	(299,008)
Changes in non-cash working capital		
Accounts receivable	(326,882)	(23,156)
GST/HST receivable	(717)	4,266
Accounts payable and accrued liabilities	(159,017)	127,042
Deferred revenue	0	(33,001)
Restricted contributions	(51,388)	(317,437)
Prepaid expenses	2,530	3,151
	(535,474)	(239,135)
<b>Cash Used in Operating Activities</b>	<b>(833,736)</b>	<b>(538,143)</b>
<b>Investing Activity</b>		
Purchase of equipment, net	0	(5,974)
<b>Outflow of Cash</b>	<b>(833,736)</b>	<b>(544,117)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1,321,556</b>	<b>1,865,673</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 487,820</b>	<b>\$ 1,321,556</b>

**BC ACADEMIC HEALTH COUNCIL**  
**Notes to Financial Statements**  
**Nine-Month Period Ended December 31, 2013**

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**1. OPERATIONS**

BC Academic Health Council (the "Council" or "BCAHC") was incorporated under the *Society Act* (British Columbia). The Council is comprised of a board and also a secretariat. The board was comprised of representation from the six regional health authorities, senior academic leaders from universities, colleges and institutes, the Ministry of Health, the Ministry of Advance Education and the Michael Smith Health Research Foundation. At the November 18, 2013 Annual General Meeting a special resolution was passed by members to approve a board consisting of five representatives.

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

The Council is a not-for-profit organization and is exempt from income tax under section 149(1)(l) of the *Income Tax Act* (Canada). The following is a list of projects referred to throughout the financial statements and notes to the financial statements:

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Council were prepared in accordance with Canadian generally accepted accounting principles using Canadian public sector accounting standards with the exception of the treatment of restricted contributions, which have been deferred and recognized as income in the period the related expenses are incurred as per the requirements of the Auditor General of British Columbia. The financial statements include the following significant accounting policies.

(a) Revenue recognition

The Council follows the deferral method of accounting for restricted contributions. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

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

Membership and user fees are recognized over the membership term.

(b) Tangible capital assets

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

**BC ACADEMIC HEALTH COUNCIL**  
**Notes to Financial Statements**  
**Nine-Month Period Ended December 31, 2013**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Tangible capital assets (Continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Council's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(c) Financial instruments

Upon inception and subsequent to initial recognition, any equity instruments quoted in an active market and any designated financial instruments are measured at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Cash and cash equivalents are recorded at fair value. Accounts receivable are recorded at amortized cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

Any financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. The effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Financial liabilities are derecognized when extinguished.

Such accounting policies are as follows:

- The Council designates 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 that were designated as held-to-maturity.
- The Council 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 were recognized in the statement of operations.
- Other liabilities are recorded at amortized cost.
- Any transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and were amortized to operations using the effective interest rate method.

The Council elected to continue to apply the financial instrument disclosure and presentation standards in accordance with section 3861.

**BC ACADEMIC HEALTH COUNCIL**  
**Notes to Financial Statements**  
**Nine-Month Period Ended December 31, 2013**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d) Use of estimates

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

(e) Budget figures

Budget figures presented have been provided for comparative purposes and have been derived from the Council's budget for the nine-month period ending December 31, 2013, approved by the Council on October 18, 2013. Budget figures are reported in the statement of operations and accumulated deficit. The figures have been restated to conform to the current accounting framework.

(f) Employee benefits

The Council and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan.

**3. FINANCIAL INSTRUMENTS**

(a) Interest rate risk

Interest rate risk consists of two components:

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

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

(b) Credit risk

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

**BC ACADEMIC HEALTH COUNCIL**  
**Notes to Financial Statements**  
**Nine-Month Period Ended December 31, 2013**

**4. RESTRICTED CONTRIBUTIONS**

	December 31, 2013	March 31, 2013
Practical Nursing Project	\$ 0	\$ 51,388

**5. TANGIBLE CAPITAL ASSETS**

	December 31, 2013		March 31, 2013	
	Cost	Accumulated Amortization	Net	Net
Equipment	\$ 0	\$ 0	\$ 0	\$ 8,647

**6. CAPITAL MANAGEMENT**

The Council defines its capital under management as its net assets. The Council's objectives when managing its capital are to ensure an orderly dissolution.

With the exception of restricted contributions, the Council's capital is not subject to externally imposed capital requirements and the Council did not change its approach to capital management during the period.

**7. POST-EMPLOYMENT BENEFITS**

The Council and its employees contribute to the Plan, a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has approximately 173,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments and government not-for-profits.

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 million for basic pension benefits. The next valuation will be as at December 31, 2012. The results were not available as of the issue date of these financial statements. The actuary does not attribute portions of the surplus or deficit to individual employers.

The Council paid \$4,996 (year ended March 31, 2013 - \$15,178) for employer contributions to the plan during the nine-month period ended December 31, 2013.

**BC ACADEMIC HEALTH COUNCIL**  
**Notes to Financial Statements**  
**Nine-Month Period Ended December 31, 2013**

**8. SUBSEQUENT EVENT**

The Council is to dissolve subsequent to period-end and will distribute its intellectual property and administration of its programs to the Provincial Health Services Authority of British Columbia and its cash to British Columbia Institute of Technology.

**9. EXPENSES BY OBJECT**

	December 31, 2013	March 31, 2013
HSPnet	\$ 1,048,188	\$ 1,467,404
Salaries and employee benefits	124,506	259,718
Consulting fees	100,591	80,142
Professional fees	61,493	37,815
Projects	45,324	2,151,954
Rent and building maintenance	26,496	33,280
Operations	18,167	75,912
Direct costs, externally funded projects	16,734	87,954
Equipment and telecommunications	13,853	27,998
Governance review	0	10,051
Amortization	8,647	7,091
	<b>\$ 1,463,999</b>	<b>\$ 4,239,319</b>