



Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2014

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2014 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. 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 and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor regularly.

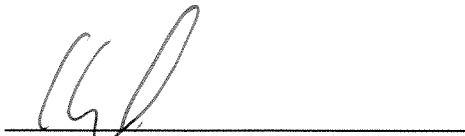
The Authority's internal audit function independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. The external auditors have full and free access to the Audit and Finance Committee and the option to meet with it on a regular basis.

On behalf of Northern Health Authority



Cathy Ulrich
President and Chief Executive Officer
June 9, 2014



Mark De Croos
Vice President, Financial & Corporate Services/Chief Financial Officer
June 9, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Health Authority and the Minister of Health

We have audited the accompanying financial statements of Northern Health Authority (the "Authority") which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated deficit, changes in net debt 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 the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

Auditor's 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 of Northern Health Authority as at March 31, 2014 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provision of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.



Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the financial statements, which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

June 9, 2014
Prince George, Canada

NORTHERN HEALTH AUTHORITY

Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)


As at March 31, 2014

	2014	2013
Financial assets		
Cash and cash equivalents (note 2)	43,652	46,660
Portfolio investments (note 2)	16,107	15,811
Accounts receivable (note 3)	35,256	44,261
Long-term disability benefits (note 7(b))	9,106	-
	<u>104,121</u>	<u>106,732</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	77,603	82,699
Deferred operating contributions (note 5)	12,205	15,131
Obligations under public-private partnership (note 6(b))	31,466	31,507
Debt (note 6(a))	8,567	9,398
Retirement allowance (note 7(a))	34,515	32,675
Long-term disability benefits (note 7(b))	-	4,439
Replacement reserves (note 8)	1,526	2,332
Deferred capital contributions (note 9)	655,844	656,478
	<u>821,726</u>	<u>834,659</u>
Net debt	<u>(717,605)</u>	<u>(727,927)</u>
Non-financial assets		
Tangible capital assets (note 10)	705,397	704,847
Inventories held for use (note 11)	6,078	6,044
Prepaid expenses	5,270	2,376
	<u>716,745</u>	<u>713,267</u>
Accumulated deficit	<u>\$ (860)</u>	<u>\$ (14,660)</u>

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

NORTHERN HEALTH AUTHORITY

Statement of Operations and Accumulated Deficit
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014 Budget (note 1(l))	2014	2013
Revenues:			
Ministry of Health contributions	\$ 542,410	\$ 541,734	\$ 530,009
Medical Services Plan	74,200	75,626	71,494
Amortization of deferred capital contributions	48,953	48,929	55,999
Patients, clients and residents (note 13(a))	32,757	36,708	33,056
Other contributions (note 13(c))	12,155	19,980	13,279
Investment Income	800	964	820
Other (note 13(b))	26,215	21,629	29,166
	<u>737,490</u>	<u>745,570</u>	<u>733,823</u>
Expenses (note 13(d)):			
Acute	429,974	434,819	427,586
Residential care	97,192	97,404	95,852
Community care	59,034	52,242	53,603
Mental health and substance use	52,310	48,813	48,981
Population health and wellness	39,851	37,093	38,220
Corporate	59,129	61,399	60,796
	<u>737,490</u>	<u>731,770</u>	<u>725,038</u>
Annual operating surplus	-	13,800	8,785
Accumulated deficit, beginning of year		(14,660)	(23,445)
Accumulated deficit, end of year	\$ -	\$ (860)	\$ (14,660)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Changes in Net Debt

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014 Budget (note 1(l))	2014	2013
Annual operating surplus	\$ -	\$ 13,800	\$ 8,785
Acquisition of tangible capital assets	(64,736)	(52,560)	(50,304)
Amortization of tangible capital assets	51,690	52,010	58,015
	(13,046)	13,250	16,496
Acquisition of inventories held for use	-	(34)	151
Acquisition of prepaid expenses	-	(2,894)	(67)
	-	(2,928)	84
(Increase) decrease in net debt	(13,046)	10,322	16,580
Net debt, beginning of year	(727,927)	(727,927)	(744,507)
Net debt, end of year	\$ (740,973)	\$ (717,605)	\$ (727,927)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities:		
Annual surplus	\$ 13,800	\$ 8,785
Items not involving cash:		
Amortization of deferred capital contributions	(48,929)	(55,999)
Amortization of tangible capital assets	52,010	58,015
Retirement allowance expense	3,786	4,054
Long term disability benefits expense	11,532	20,974
	32,199	35,829
Net change in non-cash operating items (note 14(a))	(1,945)	(9,617)
Net change in cash from operating activities	30,254	26,212
Capital activities:		
Acquisition of tangible capital assets (note 14(b))	(52,560)	(50,304)
Net change in cash from capital activities	(52,560)	(50,304)
Investing activities:		
Change in portfolio investments	(296)	(374)
Net change in cash from investing activities	(296)	(374)
Financing activities:		
Retirement allowance benefits paid	(1,946)	(2,918)
Long-term disability benefits contributions	(25,077)	(25,519)
Repayment of obligations under public-private partnership	(41)	8,602
Repayment of debt	(831)	(1,714)
Change in replacement reserves	(806)	(111)
Capital contributions	48,295	31,225
Net change in cash from financing activities	19,594	9,565
Decrease in cash and cash equivalents	(3,008)	(14,901)
Cash and cash equivalents, beginning of year	46,660	61,561
Cash and cash equivalents, end of year	\$ 43,652	\$ 46,660

Supplementary cash flow information (note 14(c))

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

Northern 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 ("BC"). 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 north region and those referred from outside the region.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services.

If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Authority.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410 Government Transfers;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, Restricted Assets and Revenues; and

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Affiliated organizations:

Within the Authority area is one denominational health care organization – Wrinch Memorial Hospital (the "Affiliate"), which has the responsibility to manage the administration of the Wrinch Memorial Hospital under an affiliation agreement with the Authority. This Affiliate is a separate legal entity with a separate board of directors and accordingly, these financial statements do not include its assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of the Affiliate are recorded as Ministry of Health contributions and funds transferred to the Affiliate are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of the Affiliate, information on the equity and results of operations of the Affiliate is provided in note 15 (c) of these financial statements.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

Portfolio investments include guaranteed income certificates and bonds and are recorded at fair value, which approximates cost, adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

Obligations which can be reasonably estimated are measured at the best estimate of the future cash flows required to settle the liabilities, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Authority reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(f) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

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

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 – 10 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan is implemented.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(f) Employee benefits (continued):

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Authority to pay benefits occurs.

(g) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	5 - 25 years
Buildings	10 - 25 years
Equipment	5 - 25 years
Information systems	3 - 10 years
Vehicles	4 - 7 years
Assets under capital lease and leasehold improvements	Lease term

Assets under construction or development are not amortized until the asset is available for productive use.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

(h) Revenue recognition:

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

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their 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.

Contributions for the acquisition of land, or the contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(i) 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.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, fair value of designated financial instruments, including derivatives and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(j) Financial instruments:

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.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All 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. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, 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. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(k) Capitalization of public-private partnership projects:

The Authority's public-private partnership ("P3") project was delivered by the private sector partner (ISL Health (FSJ) General Partnership) who designed, built, financed and will maintain and perform life cycle rehabilitation of the asset, which includes the new Fort St. John Hospital and Peace Villa.

The asset cost included development and financing fees estimated at fair value, which require 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 contribution received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. The completed facility is being amortized over the next 40 years.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in debt. The obligation will be met via 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.

(l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2013/2014 Budget approved by the Board of Directors on April 12, 2014. Note 17 reconciles the approved budget to the budget reflected in the statement of operations and accumulated operating deficit and the statement of changes in net debt.

(m) Future accounting standards:

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(m) Future accounting standards (continued):

- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

PS 3260 is effective for the Authority's fiscal year ending March 31, 2015. Management is continuously assessing the potential impact of adoption of PS 3260 on the financial statements of the Authority. The magnitude of the impact of PS 3260 on the financial statements will depend on the existence of contaminated sites as at March 31, 2015, if any.

2. Cash and cash equivalents and portfolio investments:

	2014	2013
Cash and cash equivalents	\$ 43,652	\$ 46,660
Portfolio investments	16,107	15,811
	<u>\$ 59,759</u>	<u>\$ 62,471</u>
Amounts restricted for deferred operating contributions	12,205	15,131
Amounts restricted for unspent capital contributions	14,743	12,278
Amounts restricted for P3 projects	3,319	1,482
Amounts restricted for replacement reserves	1,526	2,332
Amounts restricted for Affiliate	1,479	215
Amounts restricted for patient comfort funds	156	177
	<u>33,428</u>	<u>31,615</u>
Unrestricted cash and cash equivalents and portfolio investments	<u>26,331</u>	<u>30,856</u>
	<u>\$ 59,759</u>	<u>\$ 62,471</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

3. Accounts receivable:

	2014	2013
Medical Services Plan	\$ 8,302	\$ 9,611
Ministry of Health	7,631	6,874
Patients, clients and residents	6,284	5,281
Other health authorities and BC government reporting entities	4,208	3,984
Regional Hospital Districts	3,383	4,910
Other grantors	3,119	3,080
WorkSafe BC	1,088	1,548
Federal government	1,339	7,180
Foundations and auxiliaries	395	2,503
	35,749	44,971
Allowance for doubtful accounts (note 16 (a))	(493)	(710)
	\$ 35,256	\$ 44,261

4. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accrued liabilities	\$ 32,298	\$ 38,106
Salaries and benefits payable	23,663	23,190
Accrued vacation pay	21,642	20,259
Asset retirement obligation (note 12 (f))	-	1,144
	\$ 77,603	\$ 82,699

5. Deferred operating contributions:

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

	2014	2013
Deferred operating contributions, beginning of year	\$ 15,131	\$ 10,231
Contributions received during the year	5,051	8,836
Amounts recognized as revenue in the year	(7,977)	(3,936)
Deferred operating contributions, end of year	\$ 12,205	\$ 15,131

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

6. Debt:

(a) Mortgages:

	2014	2013
Mortgages payable to Canada Mortgage and Housing Corporation ("CMHC"), at interest rates varying from 1.98% to 10.375% payable in blended payments of \$72 per month, with maturity dates ranging to March 2029, secured by first charges on properties.	\$ 4,497	\$ 5,220
Mortgages payable to TD Canada Trust, at interest rates varying from 2.649% to 4.673%, payable in blended payments of \$22 per month, with maturity dates of May and August 2037, secured by building and first charge on property.	4,070	4,178
	\$ 8,567	\$ 9,398

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

2015	\$ 845
2016	785
2017	803
2018	696
2019	649
Thereafter	4,789
	\$ 8,567

(b) Obligations under public-private partnership:

	2014	2013
Fort St. John Hospital and Peace Villa, 30 year contract to May 2042 with ISL Health (FSJ) Ltd., payable in monthly payments including annual interest of 14.79%, in accordance with the project agreement terms	\$ 31,466	\$ 31,507
	\$ 31,466	\$ 31,507

NORTHERN HEALTH AUTHORITY
Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

6. Debt (continued):

(b) Obligations under public-private partnership (continued):

Required principal repayments on P3 debt for the years ending March 31 are as follows:

2015	\$	190
2016		188
2017		110
2018		-
2019		54
Thereafter		30,924
	\$	31,466

7. 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 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 actuarial valuation as at the early measurement date of December 31, 2013 and extrapolated to March 31, 2014 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2014 are derived.

Information about retirement allowance benefits is as follows:

	2014	2013
Accrued benefit obligation:		
Severance benefits	\$ 19,476	\$ 18,226
Sick leave benefits	14,501	13,391
	33,977	31,617
Unamortized actuarial gain	538	1,058
Accrued benefit obligation	\$ 34,515	\$ 32,675

The accrued benefit obligation for retirement allowance reported on the statement of financial position is as follows:

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

7. Employee benefits (continued):

(a) Retirement allowance (continued):

	2014	2013
Accrued benefit obligation, beginning of year	\$ 32,675	\$ 31,539
Net benefit expense:		
Current service cost	2,479	2,638
Interest expense	1,411	1,406
Amortization of actuarial (gain) loss	(104)	10
Net Benefit Expense	3,786	4,054
Benefits paid	(1,946)	(2,918)
Accrued benefit obligation, end of year	\$ 34,515	\$ 32,675

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

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase ¹	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

¹ In addition to the normal merit and promotional increases individuals may be eligible for.

(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 are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and for extended health and dental benefits initiated after March 31, 2004. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net trust assets (liabilities) are reflected in these financial statements.

The Authority's assets (liabilities) are based on the actuarial valuation at December 31, 2013. The next expected valuation will be as of December 31, 2014.

The long-term disability benefits asset (obligation) reported on the statement of financial position is as follows:

	2014	2013
Fair value of plan assets	\$ 63,491	\$ 50,440
Accrued benefit obligation	54,385	54,879
Net funded asset (obligation)	\$ 9,106	\$ (4,439)
	2014	2013
Net funded asset (obligation), beginning of year	\$ (4,439)	\$ (8,984)
Net benefit expense:		
Long-term disability expense	18,464	21,291
Employees payments	(494)	(506)
Interest expense	3,026	2,807
Expected return on assets	(2,974)	(2,430)
Actuarial gain	(6,490)	(188)
Net benefit expense:	11,532	20,974
Contributions to the plan	(25,077)	(25,519)
Net funded asset (obligation), end of year	\$ 9,106	\$ (4,439)
Benefits Paid to Claimants	\$ 18,552	\$ 17,927

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2014	2013
Debt securities	44%	53%
Foreign equities	40%	26%
Equity securities and other	16%	21%
Total	100%	100%

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

	2013	2012
Accrued benefit obligation as at December 31:		
Discount rate	5.80%	5.60%
Rate of benefit increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.50%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.50%

Actual long-term rate of return on plan assets was 14.30% for the year ended December 31, 2013 (December 31, 2012 – 6.0%).

(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 \$25.1 million (2013 - \$25.5 million) were expensed during the year. The most recent actuarial valuation at December 31, 2013 indicated a surplus of \$62.5 million. The plan covers approximately 90,000 active members, of which approximately 5,000 are employees of the Authority. The Authority's next expected actuarial valuation will be as of December 31, 2014.

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Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

7. Employee benefits (continued):

(c) 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*.

Employer contributions to the Municipal Pension Plan of \$23.9 million (2013 - \$22.5 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 at December 31, 2012 indicated an unfunded liability of approximately \$1.370 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 6,235 are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2015 with results available 2016.

Employer contributions to the Public Service Pension Plan of \$0.510 million (2013 - \$0.524 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 at March 31, 2011, indicated an unfunded liability of approximately \$226 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which approximately 72 are employees of the Authority. The Authority's next actuarial valuation date will be as of March 31, 2014 with results available in early 2015.

8. 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:

	2014	2013
Balance, beginning of year	\$ 2,332	\$ 2,443
Provision for replacement reserve funding	147	134
Interest on replacement reserves	20	30
Expenditures	(211)	(275)
Discontinuation of reserves	(762)	-
Balance, end of year	\$ 1,526	\$ 2,332

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

8. Replacement reserves (continued):

The replacement reserves by facility are as follows:

	2014	2013
Laurier Manor - Prince George	\$ 362	\$ 319
McConnell Estates - Terrace	248	244
Alward Place - Phase 1 - Prince George	235	352
Alward Place - Phase 2 - Prince George	203	195
Terraceview Lodge - Terrace	161	142
Parkside Intermediate Care Home - Prince George	159	177
Bulkley Lodge - Smithers	146	143
Nick Grosse - Masset	12	9
Rainbow Intermediate Care Home - Prince George	-	383
Peace River Haven - Pouce Coupe	-	309
Summit Residences - Prince Rupert	-	44
Heritage Manor - Fort St. John	-	15
	<u>\$ 1,526</u>	<u>\$ 2,332</u>

9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2014	2013
Deferred capital contributions, beginning of year	\$ 656,478	\$ 681,252
Capital contributions received:		
Ministry of Health	38,144	22,594
Regional Hospital District	8,626	5,469
Foundations and auxiliaries	1,525	1,395
Other	-	1,767
	<u>48,295</u>	<u>31,225</u>
Amortization for the year	<u>(48,929)</u>	<u>(55,999)</u>
Deferred capital contributions, end of year	<u>\$ 655,844</u>	<u>\$ 656,478</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

9. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2014	2013
Contributions used to purchase tangible capital assets	\$ 641,101	\$ 644,200
Unspent contributions	14,743	12,278
	<u>\$ 655,844</u>	<u>\$ 656,478</u>

10. Tangible capital assets:

Cost	2013	Additions	Disposals	Transfers	2014
Land	\$ 3,893	\$ 77	\$ -	\$ -	\$ 3,970
Land improvements	5,192	-	-	(28)	5,164
Buildings	842,459	1,549	-	1,947	845,955
Information systems	83,439	-	(20,895)	2,811	65,355
Leasehold improvements	6,349	-	-	-	6,349
Equipment	298,938	7,561	(38)	9,017	315,478
Projects in progress	35,554	43,373	-	(13,747)	65,180
Total	<u>\$ 1,275,824</u>	<u>\$ 52,560</u>	<u>\$ (20,933)</u>	<u>\$ -</u>	<u>\$ 1,307,451</u>

Accumulated amortization	2013	Disposals	Amortization	2014
Land improvements	\$ 4,546	\$ -	\$ 104	\$ 4,650
Buildings	284,835	-	26,891	311,726
Information systems	54,453	(20,895)	10,622	44,180
Leasehold improvements	2,354	-	799	3,153
Equipment	224,789	(38)	13,594	238,345
Total	<u>\$ 570,977</u>	<u>\$ (20,933)</u>	<u>\$ 52,010</u>	<u>\$ 602,054</u>

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

10. Tangible capital assets (continued):

Cost	2012	Additions	Disposals	Transfers	2013
Land	\$ 3,893	\$ -	\$ -	\$ -	3,893
Land improvements	5,114	-	-	78	5,192
Buildings	560,157	7,846	-	274,456	842,459
Information systems	9,403	219	(335)	2,860	12,147
Leasehold improvements	6,345	4	-	-	6,349
Equipment	357,277	4,423	(11)	8,541	370,230
Projects in progress	283,677	37,812	-	(285,935)	35,554
Total	\$ 1,225,866	\$ 50,304	\$ (346)	\$ -	1,275,824

Accumulated amortization	2012	Disposals	Amortization	2013
Land improvements	\$ 4,454	\$ -	\$ 92	\$ 4,546
Buildings	253,889	-	30,946	284,835
Information systems	2,102	(335)	7,301	9,068
Leasehold improvements	1,731	-	623	2,354
Equipment	251,132	(11)	19,053	270,174
Total	\$ 513,308	\$ (346)	\$ 58,015	\$ 570,977

Net book value	2014	2013
Land	\$ 3,970	\$ 3,893
Land improvements	514	646
Buildings	534,229	557,624
Information systems	21,175	3,079
Leasehold improvements	3,196	3,995
Equipment	77,133	100,056
Projects in progress	65,180	35,554
Total	\$ 705,397	\$ 704,847

Tangible capital assets are funded as follows:

	2014	2013
Deferred capital contributions	\$ 641,101	\$ 644,200
Public-private partnership	31,466	31,507
Internally funded	24,263	19,742
Debt	8,567	9,398
Tangible capital assets	\$ 705,397	\$ 704,847

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

11. Inventories held for use:

	2014	2013
Pharmaceuticals	\$ 3,418	\$ 3,092
Medical supplies	2,660	2,952
	\$ 6,078	\$ 6,044

12. Commitments and contingencies:

- (a) Construction, equipment and information systems in process:

As at March 31, 2014, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$66.8 million (2013 - \$4.5 million).

- (b) Long-term residential care contracts:

The Authority has entered into contracts with a service provider to provide residential care services. The aggregate annual commitments for these contracts for the years ending March 31 are as follows:

2015	\$ 8,056
2016	8,591
2017	8,676
2018	8,763
2019	8,851
Thereafter	207,756
	\$ 250,693

- (c) Operating leases:

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

2015	\$ 6,363
2016	4,543
2017	2,440
2018	983
2019	469
Thereafter	5,789
	\$ 20,587

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

12. Commitments and contingencies (continued):

(d) Public-private partnership (P3) commitments:

The Authority has entered into a multiple-year P3 contract to design, build, finance, and maintain the Fort St. John Hospital and Residential Care Project. The information presented below shows the anticipated cash outflow for all future obligations under this contract for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. Construction costs are recorded as a capital asset and the corresponding liabilities are recorded as debt and disclosed in note (note 6(b)). Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Capital and financing	FM and lifecycle	Total payments
2015	4,844	4,589	9,433
2016	4,814	4,921	9,735
2017	4,708	5,241	9,949
2018	4,574	5,489	10,063
2019	4,645	5,486	10,131
Thereafter	119,574	153,124	272,698
	\$ 143,159	\$ 178,850	\$ 322,009

(e) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

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, 2014, 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.

(f) Asset retirement obligations:

The Authority has recorded asset retirement obligation of \$0 (2013 - \$1.144 million) representing the fair value of the cost of asbestos removal from buildings at its sites. This amount is included in accounts payable and accrued liabilities.

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Year ended March 31, 2014

12. Commitments and contingencies (continued):

(f) Asset retirement obligations (continued):

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. At this time, the Authority has not recognized these asset retirement obligations as there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

(g) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount for all trusts total \$141,000 (2013 - \$154,000).

13. Statement of operations:

(a) Patients, clients and residents revenue:

	2014	2013
Residents of BC-self pay	\$ 21,343	\$ 17,709
Non-residents of BC	7,017	6,571
WorkSafe BC	5,080	5,261
Non-residents of Canada	1,580	1,401
Other	959	934
Uninsured residents	556	544
Federal government	173	636
	\$ 36,708	\$ 33,056

(b) Other revenues:

	2014	2013
Recoveries from other health authorities and BC government reporting entities	\$ 11,132	\$ 13,844
Other services	5,275	7,830
Compensation recoveries	2,648	2,318
Material recoveries	1,387	825
Other	1,187	4,349
	\$ 21,629	\$ 29,166

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

13. Statement of operations (continued):

(c) Other contributions:

	2014	2013
Provincial Health Services Authority	\$ 5,904	\$ 6,498
Other ministries	11,721	3,389
Other	2,355	3,392
	<u>\$ 19,980</u>	<u>\$ 13,279</u>

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

13. Statement of operations (continued):

(d) The following is a summary of expenses by object:

	2014	2013
Compensation:		
Compensation	\$ 342,750	\$ 328,838
Employee benefits	70,544	74,620
Purchased services - physicians	67,220	64,904
	480,514	468,362
Supplies		
Medical and surgical	18,540	17,604
Drugs and medical gases	17,401	20,753
Diagnostic	8,846	8,087
Food and dietary	7,822	7,583
Laundry and linen	3,304	3,251
Housekeeping	1,748	1,874
Printing, stationery and office	1,530	1,570
Other	6,085	5,978
	65,276	66,700
Referred-out and contracted services:		
Health and support service providers	45,152	46,779
Other health authorities and BC government reporting entities	10,293	6,234
	55,445	53,013
Equipment and building services:		
Equipment expenses	16,894	18,156
Utilities	9,726	9,109
Rent	8,578	9,020
Service contracts	3,010	3,328
Other	5,838	1,971
	44,046	41,584
Sundry:		
Travel and accommodation	2,412	4,596
Professional fees	3,978	5,144
Patient transport	3,303	2,943
Communication and data processing	2,761	3,079
Other	10,823	12,197
	23,277	27,959
Distributions to affiliated organization	6,238	5,096
Amortization of tangible capital assets	52,010	58,015
Interest on debt	4,964	4,309
	\$ 731,770	\$ 725,038

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

14. Supplementary cash flow information:

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

	2014	2013
Accounts receivable	\$ 9,005	\$ 2,339
Accounts payable and accrued liabilities	(5,096)	(16,940)
Deferred operating contributions	(2,926)	4,900
Inventories held for use	(34)	151
Prepaid expenses	(2,894)	(67)
	\$ (1,945)	\$ (9,617)

(b) Purchase of tangible capital assets:

	2014	2013
Externally funded acquisitions	\$ 45,830	\$ 31,225
Internally funded acquisitions	6,730	8,932
Assets acquired through public-private partnership	-	10,147
	\$ 52,560	\$ 50,304

(c) Supplementary Information:

	2014	2013
Interest paid	\$ 4,964	\$ 4,309
Interest received	964	820

15. Related party and other agency operations:

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC 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 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.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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

(a) BC government reporting entities (continued):

The financial statements include transactions and balances with these parties in the following amounts:

	2014	2013
Revenue:		
Ministry of Health contributions	\$ 541,734	\$ 530,009
Medical Services Plan	75,626	71,494
Other contributions	10,239	11,915
Patients, clients and residents	7,017	6,571
Recoveries from other health authorities and BC government reporting entities	11,132	13,991
Other	213	204
	<u>\$ 645,961</u>	<u>\$ 634,184</u>
Expenses:		
Referred-out and contracted services	\$ 13,932	\$ 8,760
Sundry	2,586	2,885
Equipment and building services	13	-
	<u>\$ 16,531</u>	<u>\$ 11,645</u>
Accounts receivable:		
Medical Services Plan	\$ 8,302	\$ 9,611
Ministry of Health	7,631	6,874
Other health authorities and BC government reporting entities	4,208	3,984
	<u>\$ 20,141</u>	<u>\$ 20,469</u>
Accounts payable and accrued liabilities	\$ 7,246	\$ 5,758
Deferred operating contributions	7,419	3,238
Deferred capital contributions	476,297	472,058

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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

(b) Foundations and auxiliaries:

Within the Authority area, there are 28 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted \$3.254 million (2013 - \$3.186 million) to various facilities within the Authority.

Auxilliary to GR Baker Memorial Hospital	Mackenzie Hospital Auxilliary
Bulkley Valley & District Hospital Auxilliary	Max Lang Estate
Bulkley Valley Health Care & Hospital Foundation	McBride & District Hospital Auxilliary
Burns Lake & District Health Care Auxilliary	Mills Memorial Hospital Auxilliary
Chetwynd Hospital Foundation	Peace Lutheran Care Center Foundation
Dawson Creek & District Auxilliary Society	Pouce Coupe Community Foundation Society
Dawson Creek Hospital Foundation	Prince Rupert Regional Hospital Auxilliary
Dr. REM Lee Foundation	QCI Hospital Days Foundation
Fort Nelson Hospital & Healthcare Foundation	Spirit of the North Health Care Foundation
Fort Nelson Hospital Auxilliary	St. John Hospital Auxilliary Society
Fort St. John Hospital Foundation	Stuart Lake Hospital Auxilliary Society
Fort St. John Hospital Ladies Auxilliary	Tumbler Ridge Health Centre Foundation
Kitimat General Hospital Auxilliary	Wrinch Memorial Foundation
Kitimat Hospital Foundation	Wrinch Memorial Hospital Auxilliary

(c) Affiliated organizations:

The financial statements of the Affiliate are not consolidated with the Authority. The annual operating surplus and the accumulated surplus (deficit) of this affiliate are as follows:

	2014	2013
Annual operating surplus:		
Wrinch Memorial Hospital	\$ 196	\$ 232
	\$ 196	\$ 232
Accumulated surplus (deficit):		
Wrinch Memorial Hospital	\$ 42	\$ (154)
	\$ 42	\$ (154)

Included in the Authority's accounts payable is \$1.479 million (2013 - \$.215 million) payable to the Affiliate at year-end.

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Year ended March 31, 2014

16. Risk management:

The Authority is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Authority's financial instruments is provided below by type of risk below.

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

Accounts receivable primarily consist of amounts receivable from the Ministry, other Health Authorities and BC government reporting entities patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts. As at March 31, 2014, the amount of allowance for doubtful debts was \$0.493 million (2013 - \$0.710 million).

(b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, the Authority has the option to sell its portfolio investments, which can be liquidated without additional cost.

The Authority's principal source of funding is from 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 or grant documentation. The Authority has complied with the external restrictions on the funding provided.

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

16. Risk management (continued):

(b) Liquidity risk

The table below shows when various financial assets and liabilities mature:

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 43,652	\$ -	\$ -	\$ 43,652
Portfolio investments	7,768	8,339	-	16,107
Accounts Receivable	35,256	-	-	35,256
Total financial assets	\$ 86,676	\$ 8,339	\$ -	\$ 95,015
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 77,603	\$ -	\$ -	\$ 77,603
Obligations under public-private partnership	190	352	30,924	31,466
Debt	845	2,933	4,789	8,567
	\$ 78,638	\$ 3,285	\$ 35,713	\$ 117,636
2013 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 46,660	\$ -	\$ -	\$ 46,660
Portfolio investments	15,811	-	-	15,811
Accounts Receivable	44,261	-	-	44,261
Total financial assets	\$ 106,732	\$ -	\$ -	\$ 106,732
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 82,669	\$ -	\$ -	\$ 82,669
Obligations under public-private partnership	41	488	30,978	31,507
Debt	827	3,760	4,811	9,398
	\$ 83,537	\$ 4,248	\$ 35,789	\$ 123,574

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16. Risk management (continued):

(c) Foreign exchange risk

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in USA dollars, and other currencies. Currencies most contributing to the foreign exchange risk are US dollar.

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

17. Budget

The original budget, as approved by the board on April 12, 2013, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocations between accounts. The changes are as follows:

	Board		Restated
	Approved plan	Reallocations	budget
Revenue:			
Ministry of Health contributions	\$ 542,410	\$ -	\$ 542,410
Medical Services Plan	74,200	-	74,200
Amortization of deferred capital contributions	50,083	(1,130)	48,953
Patients, clients and residents	32,757	-	32,757
Other contributions	12,155	-	12,155
Investment income	800	-	800
Other	26,215	-	26,215
	\$ 738,620	\$ (1,130)	\$ 737,490
Expenses:			
Acute	\$ 432,515	\$ (2,541)	\$ 429,974
Residential care	95,807	1,385	97,192
Community care	59,408	(374)	59,034
Mental health and substance use	52,345	(35)	52,310
Population health and wellness	39,870	(19)	39,851
Corporate	58,675	454	59,129
	\$ 738,620	\$ (1,130)	\$ 737,490
Annual operating surplus	\$ -	\$ -	\$ -

18. Comparative figures:

Certain comparative information has been reclassified to conform to the current year's financial statement presentation.