

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2015

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2015 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 Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

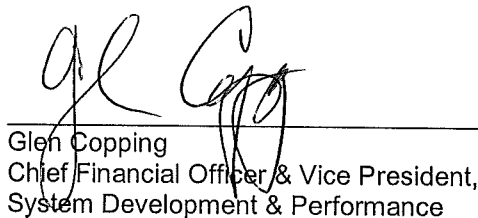
The Authority's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The external auditors, the Auditor General of British Columbia, 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 Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Vancouver Coastal Health Authority



Mary Ackerhusen
President & Chief Executive Officer



Glen Copping
Chief Financial Officer & Vice President,
System Development & Performance

Vancouver, BC
June 17, 2015



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of Vancouver Coastal Health Authority, and
To the Minister of Health, Province of British Columbia*

I have audited the accompanying financial statements of Vancouver Coastal Health Authority (“the entity”), which comprise the statement of financial position as at March 31, 2015, and the statement of operations and accumulated deficit, statement of changes in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 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 presentation of the financial statements.

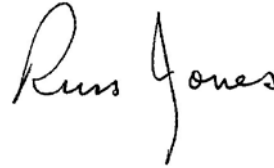
In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements of Vancouver Coastal Health Authority for the year ended March 31, 2015, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 1 to the financial statements, which describes the basis of accounting used in the preparation of these financial statements. Note 20 of the financial statements discloses the impact of these differences between such basis of accounting and Canadian public sector accounting standards.



Russ Jones, CPA, FCA
Deputy Auditor General

Victoria, British Columbia
June 17, 2015



VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2015

	2015	2014
Financial assets		
Cash and cash equivalents (note 2)	\$ 240,812	\$ 195,270
Portfolio investments (note 2)	5,711	15,000
Accounts receivable (note 3)	89,200	77,277
Loan receivable (note 4)	5,116	5,242
Long-term disability and health and welfare benefits (note 10(b))	48,525	64,406
	<u>389,364</u>	<u>357,195</u>

Liabilities

Accounts payable and accrued liabilities (note 5)	275,481	303,436
Deferred operating contributions (note 6)	3,168	3,260
Deferred research and designated contributions (note 7)	8,857	9,009
Obligation under capital lease (note 8)	108,913	109,834
Debt (note 9)	4,432	5,473
Retirement allowance (note 10(a))	123,912	119,289
Replacement reserves (note 11)	964	940
Deferred capital contributions (note 12)	1,018,492	881,699
	<u>1,544,219</u>	<u>1,432,940</u>
Net debt	\$ (1,154,855)	\$ (1,075,745)

Non-financial assets

Tangible capital assets (note 13)	918,600	839,875
Tangible capital assets under lease (note 13)	92,731	94,966
Inventories held for use (note 14)	8,295	7,203
Prepaid expenses	24,319	21,705
	<u>\$ 1,043,945</u>	<u>\$ 963,749</u>

Accumulated deficit	\$ (110,910)	\$ (111,996)
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Commitments and contingencies (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

Kip Woodward, Board Chair

Daniel Nocente, Chair Audit & Finance Committee

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2015

	2015 Budget (note 1(p))	2015	2014
Revenues:			
Ministry of Health contributions	\$ 2,454,082	\$ 2,407,216	\$ 2,427,507
Medical Services Plan	204,094	213,376	206,035
Other contributions (note 16(a))	168,216	179,174	174,128
Recoveries from other health authorities and BC government reporting entities	120,032	139,019	124,621
Patients, clients and residents (note 16(b))	83,175	93,198	83,323
Amortization of deferred capital contributions (note 12)	74,473	77,311	80,656
Other	21,599	23,555	29,479
Research and designated contributions (note 7)	16,000	21,766	20,647
Investment income	1,660	3,744	1,060
	<u>3,143,331</u>	<u>3,158,359</u>	<u>3,147,456</u>
Expenses (note 16(c)):			
Acute	1,838,558	1,856,996	1,821,857
Residential care	441,294	443,387	445,405
Mental health and substance use	287,562	284,293	282,922
Corporate	244,134	239,816	247,603
Community care	232,122	234,385	230,529
Population health and wellness	99,661	98,396	98,859
	<u>3,143,331</u>	<u>3,157,273</u>	<u>3,127,175</u>
Annual surplus before gain on sale of assets available for sale	\$ -	\$ 1,086	\$ 20,281
Gain on sale of assets available for sale (note 16(d))	-	-	20,251
Annual surplus after gain on sale of assets available for sale	\$ -	\$ 1,086	\$ 40,532
Accumulated deficit, beginning of year	(111,996)	(111,996)	(152,528)
Accumulated deficit, end of year	<u>\$ (111,996)</u>	<u>\$ (110,910)</u>	<u>\$ (111,996)</u>

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Debt

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

	2015 Budget (note 1(p))	2015	2014
Annual surplus	\$ -	\$ 1,086	\$ 40,532
Acquisition of tangible capital assets	(197,159)	(158,938)	(110,684)
Amortization of tangible capital assets	79,156	82,097	85,472
Write-down of tangible capital assets	-	351	155
	(118,003)	(75,404)	15,475
Acquisition of inventories held for use	-	(224,107)	(205,655)
Acquisition of prepaid expenses	-	(27,787)	(33,858)
Consumption of inventories held for use	-	223,015	206,700
Use of prepaid expenses	-	25,173	30,539
	-	(3,706)	(2,274)
(Increase) decrease in net debt	(118,003)	(79,110)	13,201
Net debt, beginning of year	(1,075,745)	(1,075,745)	(1,088,946)
Net debt, end of year	\$ (1,193,748)	\$ (1,154,855)	\$ (1,075,745)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

	2015	2014
Cash flows from operating activities:		
Annual surplus	\$ 1,086	\$ 40,532
Items not involving cash:		
Amortization of deferred capital contributions	(77,311)	(80,656)
Amortization of tangible capital assets	82,097	85,472
Gain on sale of assets available for sale	-	(20,251)
Write-down of tangible capital assets	351	155
Write-down of deferred capital contributions	(351)	(155)
Retirement allowance expense	12,233	11,370
Revenue from non-long term disability pool surplus	-	(6,293)
Long term disability benefits expense (recovery)	10,261	(7,227)
Health and welfare benefit adjustments	8,115	-
Interest expense	5,860	6,511
Interest income	(3,744)	(1,060)
	38,597	28,398
Net change in non-cash operating items (note 17(a))	(44,181)	41,143
Interest paid	(5,860)	(6,511)
Interest received	4,121	1,337
Net change in cash from operating activities	(7,323)	64,367
Capital activities:		
Proceeds from disposal of assets available for sale	-	23,342
Acquisition of tangible capital assets (note 17(b))	(158,938)	(110,684)
Net change in cash from capital activities	(158,938)	(87,342)
Investing activities:		
Proceeds from redemption of portfolio investments	9,289	55,408
Proceeds from loan receivable	126	134
Net change in cash from investing activities	9,415	55,542
Financing activities:		
Repayment of obligation under capital lease	(921)	(717)
Retirement allowance contributions	(7,610)	(7,398)
Long-term disability benefits contributions	(2,495)	(48,528)
Repayment of debt	(1,041)	(1,452)
Capital contributions	214,455	118,117
Net change in cash from financing activities	202,388	60,022
Increase in cash and cash equivalents	45,542	92,589
Cash and cash equivalents, beginning of year	195,270	102,681
Cash and cash equivalents, end of year	\$ 240,812	\$ 195,270

Supplementary cash flow information (note 17)

See accompanying notes to financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

Vancouver Coastal Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("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 Vancouver Coastal region and those referred from outside the region.

1. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Authority are as follows:

(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 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

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 Revenue; and
- deferred contributions meet liability criteria in accordance with PS 3200, Liabilities.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 20.

(b) Basis of presentation:

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (see note 18(b)).

(c) Affiliated organizations:

Within the Authority area, there is one denominational health care organization, Providence Health Care ("PHC"), which has the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. This affiliate is a separate legal entity with a separate Boards of Directors and accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of this 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 this affiliate, information on the equity and results of operations of the affiliate is provided in note 18(c) of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(c) Affiliated organizations (continued):

Prior to April 1, 2014, Bella Coola General Hospital ("Bella Coola") and R.W. Large Memorial Hospital in Bella Bella ("R.W. Large"), which were owned by the United Church Health Services Society ("UCHSS"), also operated as affiliates with the same treatment as PHC above. Effective April 1, 2014, the affiliation agreement between the Authority and the UCHSS was terminated, on which date the Authority acquired the assets and liabilities of Bella Coola and R.W. Large. Effective April 1, 2014, the operations of these two hospitals are included in the operations of the Authority.

(d) 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.

(e) Portfolio investments:

Portfolio investments include guaranteed investment certificates and are recorded at 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.

(f) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectible.

(g) Assets available for sale:

Assets available for sale are those expected to be sold within one year. They are valued at the lower of cost, less accumulated amortization, or expected net realizable value. Cost includes amounts for improvements to prepare the assets for sale.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(h) 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 benefit 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 (2014 - 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 change is implemented.

(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.

(i) Contaminated sites:

Liabilities for contaminated sites are recorded when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the Authority is directly responsible, or accepts responsibility for the damage. Liabilities are measured at the Authority's best estimate of the costs directly attributable to remediation of the contamination.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(j) 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
Buildings	5 - 50 years
Equipment and information systems	3 - 20 years
Leasehold improvements	lease term
Buildings under capital lease	lease term

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

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 is 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) Leased tangible capital assets:

Tangible capital assets acquired under a lease which transfers substantially all of the benefits and risks incidental to ownership of property are recorded as leased tangible capital assets with an offsetting obligation under capital lease. All other leases are accounted for as operating leases and the related payments are charged to expense as incurred.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the Authority's rate for incremental borrowing or the interest rate implicit in the lease. Note 8 provides a schedule of repayments and amount of interest on the leases.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(iii) Inventories held for use:

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

(k) Prepaid expenses:

Prepaid expenses include cash disbursements for future events, and operational costs, which will be charged to expense over the periods expected to benefit from it.

(l) 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.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services 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 contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(m) 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, contingent liabilities, 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.

(n) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date.

(o) 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. Loans receivable are recorded at cost less any amount for valuation allowance. 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(o) Financial instruments (continued):

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

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.

(p) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2014/2015 Budget approved by the Board of Directors on March 18, 2014 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and accumulated deficit and the statement of changes in net debt.

(q) New accounting standards:

Effective for the Authority's fiscal year ending March 31, 2015, the Authority adopted PS 3260, Liability for Contaminated Sites. This standard 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;
- 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.

The adoption of this new standard did not have a material impact to the Authority's financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

1. Significant accounting policies (continued):

(r) Future accounting standards:

- (i) In March 2015, PSAB issued PS 2200, Related Party Disclosures. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Authority.
- (ii) In March 2015, PSAB issued PS 3420, Inter-entity Transactions. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:
 - Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
 - Transactions are measured at the carrying amount, except in specific circumstances;
 - A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
 - The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Authority.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

2. Cash and cash equivalents and portfolio investments:

	2015	2014
Cash and cash equivalents	\$ 240,812	\$ 195,270
Portfolio investments	5,711	15,000
	246,523	210,270
Amounts restricted for capital purposes	(139,770)	(82,549)
Amounts restricted for research and designated purposes	(16,685)	(18,241)
Amounts restricted for replacement reserves	(964)	(940)
Amounts restricted for patient comfort funds	(629)	(540)
Unrestricted cash and cash equivalents and portfolio investments	\$ 88,475	\$ 108,000

Included in cash and cash equivalents is \$191.4 million (2014 - \$100.7 million) held in the Provincial Treasury Central Deposit Program.

3. Accounts receivable:

	2015	2014
Ministry of Health	\$ 33,960	\$ 25,428
Other health authorities and BC government reporting entities	29,581	30,590
Medical Services Plan	11,091	9,910
Patients, clients and residents	6,611	5,567
Foundations and auxiliaries	5,940	8,003
Federal government	3,223	4,061
WorkSafeBC	2,573	2,159
Other	9,286	3,945
	102,265	89,663
Allowance for doubtful accounts	(13,065)	(12,386)
	\$ 89,200	\$ 77,277

4. Loan receivable:

The loan consists of funds advanced for the repayment of a debt related to the Vancouver General Hospital ("VGH") Parkade. The debt was repaid on behalf of 578583 BC Ltd., a corporation which is the trustee of the VGH Parkade Trust (the "Trust") and is wholly owned by the VGH and UBC Hospital Foundation.

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

The loan receivable from 578583 BC Ltd. earns interest at a variable rate and will mature in February 2016. The variable interest rate equals the RBC prime rate, which was 3.0% up to and including January 27, 2015 and 2.85% effective January 28, 2015.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

5. Accounts payable and accrued liabilities:

	2015	2014
Trade accounts payable and accrued liabilities	\$ 129,592	\$ 162,997
Salaries and benefits payable	84,903	81,419
Accrued vacation pay	60,986	59,020
	<u>\$ 275,481</u>	<u>\$ 303,436</u>

6. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes, including grants from provincial ministries for various programs (including mental health, youth services, speech pathology and special needs). Other funds received are used for "go green" projects, maintenance of certain equipment and to further the wellbeing of the Authority's employees. Funds received for exchange transactions, environmental health permits and parking paid in advance, are also recorded as deferred operating contributions and recognized throughout the fiscal year.

	2015	2014
Deferred operating contributions, beginning of year	\$ 3,260	\$ 2,763
Contributions received during the year	2,676	2,869
Amounts recognized as revenue in the year	(2,768)	(2,372)
Deferred operating contributions, end of year	<u>\$ 3,168</u>	<u>\$ 3,260</u>

7. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities through the Vancouver Coastal Health Research Institute and the Prostate Research Centre. Contributions are received from pharmaceutical companies and other donors for various research projects to promote the health and wellbeing of residents within the region.

	2015	2014
Deferred research and designated contributions, beginning of year	\$ 9,009	\$ 11,491
Contributions received during the year	21,614	18,165
Amounts recognized as revenue in the year	(21,766)	(20,647)
Deferred research and designated contributions, end of year	<u>\$ 8,857</u>	<u>\$ 9,009</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

8. Obligation under capital lease:

	2015	2014
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	\$ 108,913	\$ 109,834
	\$ 108,913	\$ 109,834

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

2016	\$	6,841
2017		7,021
2018		7,201
2019		7,381
2020		7,566
Thereafter		154,679
Total minimum lease payments		190,689
Amounts representing interest		(81,776)
	\$	108,913

9. Debt:

	2015	2014
Canada Mortgage and Housing Corporation ("CMHC"), secured by first charges on properties, payable in monthly (blended) payments of \$87, including annual interest of 1.99%, renewable January 2019	\$ 4,432	\$ 5,473
	\$ 4,432	\$ 5,473

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

2016	\$	1,041
2017		1,000
2018		1,021
2019		439
2020		267
Thereafter		664
	\$	4,432

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

10. 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, 2014 and extrapolated to March 31, 2015 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2015 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	2015	2014
Accrued benefit obligation:		
Severance benefits	\$ 62,333	\$ 62,812
Sick leave benefits	50,120	49,967
	112,453	112,779
Unamortized actuarial gain	11,459	6,510
Accrued benefit obligation	\$ 123,912	\$ 119,289

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

	2015	2014
Accrued benefit obligation, beginning of year	\$ 119,289	\$ 115,317
Net benefit expense:		
Current service cost	8,075	7,636
Interest expense	4,917	4,681
Amortization of actuarial gain	(759)	(947)
Net benefit expense	12,233	11,370
Benefits paid	(7,610)	(7,398)
Accrued benefit obligation, end of year	\$ 123,912	\$ 119,289

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

10. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2015	2014
Accrued benefit obligation as at March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

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

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

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan, with the Authorities assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, the Authority's net trust assets are reflected in these financial statements.

The Authority's assets as of March 31, 2015 are based on the actuarial valuation at December 31, 2014, extrapolated to March 31, 2015. The Authority's assets as of March 31, 2014 are based on the actuarial valuation at December 31, 2013. The next expected valuation is as of December 31, 2015.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

The long-term disability and health and welfare benefits asset reported on the statement of financial position is as follows:

	2015	2014
Fair value of plan assets	\$ 263,143	\$ 214,609
Accrued benefit obligation	214,618	150,203
Net funded asset	\$ 48,525	\$ 64,406
	2015	2014
Long-term disability and health and welfare benefits asset, beginning of year	\$ 64,406	\$ 2,358
Net benefit recovery (expense):		
Long-term disability expense	(24,099)	(21,000)
Actuarial gain (loss)	(9,145)	32,002
Health and welfare benefit expense	(8,947)	-
Interest expense	(8,485)	(9,127)
Employee payments	564	1,793
Expected return on assets	11,556	9,453
Net benefit recovery (expense)	(38,556)	13,121
Contributions to the plan	2,495	48,528
Transfer of health and welfare benefits net surplus	19,066	6,293
Effect of change in plan valuation date	1,114	(5,894)
Long-term disability and health and welfare benefits asset, end of year	\$ 48,525	\$ 64,406
Benefits paid to claimants	\$ (30,713)	\$ (27,604)

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2015	2014
Debt securities	43%	44%
Foreign equities	34%	40%
Equity securities and other	23%	16%
Total	100%	100%

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

	2015	2014
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.80%
Rate of benefit increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.60%
Rate of benefit increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.60%

Actual long-term rate of return on plan assets was 10.8% for the year ended December 31, 2014 (December 31, 2013 – 14.3%).

(ii) Other Trust benefits:

The health and welfare benefits administered by the Trust on behalf of the Authority were part of a multi-employer pool within the Trust prior to December 31, 2014. Contributions to this pool by the Authority for the nine month period ended December 31, 2014 of \$1.1 million (twelve months ended March 31, 2014 - \$1.6 million) were expensed during the year. From January 1, 2015 the Authority no longer participates in this pool. The benefits are now provided through the long-term disability and health and welfare benefit plans.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

10. 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 \$76.3 million (2014 - \$71.3 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately \$1,370.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 182,000 active members, of which approximately 17,000 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2015, with results available in 2016.

In 1988, there were Plan Rule changes which required an employee to contribute to the Plan with all employers. This change was not clearly communicated to employers until August 2003 and arrears, where applicable, are being assessed from this date. The Authority was assessed for arrears in the amount of \$4.1 million which was reflected in 2014. This estimate has been reduced to \$1.3 million in 2015 based on a detailed review of the correspondence.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

11. Replacement reserves:

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

The change in the replacement reserves is calculated as follows:

	2015	2014
Replacement reserves, beginning of year	\$ 940	\$ 869
Provision for replacement reserve funding	51	68
Interest on replacement reserves	9	14
Capital Payment	(36)	(11)
Replacement reserves, end of year	\$ 964	\$ 940

The replacement reserves by facility are as follows:

	2015	2014
Olive Devaud Residence	\$ 382	\$ 382
Kiwanis Intermediate Care	165	156
Shorncliffe Intermediate Care	157	143
Lions Park Senior Citizens Housing	120	127
Cedarview Lodge	85	83
Hilltop House	55	49
	\$ 964	\$ 940

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

12. Deferred capital contributions:

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

	2015	2014
Deferred capital contributions, beginning of year	\$ 881,699	\$ 844,393
Capital contributions received:		
Ministry of Health	187,521	81,031
Foundations and auxiliaries	16,497	29,863
Regional hospital districts	793	3,040
Other	9,644	4,183
	214,455	118,117
	1,096,154	962,510
Amortization for the year	(77,311)	(80,656)
Write-downs of tangible capital assets	(351)	(155)
Deferred capital contributions, end of year	\$ 1,018,492	\$ 881,699

Deferred capital contributions are comprised of the following:

	2015	2014
Contributions used to purchase tangible capital assets	\$ 878,722	\$ 799,150
Unspent contributions	139,770	82,549
	\$ 1,018,492	\$ 881,699

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

13. Tangible capital assets:

Cost	2014	Additions	Disposals ⁽¹⁾	Transfers	2015
Land	\$ 17,703	\$ 149	\$ -	\$ -	\$ 17,852
Buildings	1,249,941	-	(4,204)	70,272	1,316,009
Equipment	674,589	24,014	(12,097)	-	686,506
Information systems	308,476	776	(47)	-	309,205
Leasehold improvements	30,965	320	-	-	31,285
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	54,659	50,086	-	(70,272)	34,473
Equipment and information systems in progress	22,576	83,593	-	-	106,169
	\$ 2,470,864	\$ 158,938	\$ (16,348)	\$ -	\$ 2,613,454

Accumulated amortization	2014	Amortization	Disposals ⁽¹⁾	Transfers	2015
Buildings	\$ 627,848	\$ 43,422	\$ (3,853)	\$ -	\$ 667,417
Equipment	570,345	30,130	(12,097)	-	588,378
Information systems	303,459	3,710	(47)	-	307,122
Leasehold improvements	17,381	2,601	-	-	19,982
Buildings under capital lease	16,990	2,234	-	-	19,224
	\$ 1,536,023	\$ 82,097	\$ (15,997)	\$ -	\$ 1,602,123

⁽¹⁾ Included in disposals is \$0.4 million of write-downs.

Cost	2013	Additions	Disposals ⁽¹⁾	Transfers	2014
Land	\$ 17,659	\$ -	\$ -	\$ 44	\$ 17,703
Buildings	1,223,968	-	(2,245)	28,218	1,249,941
Equipment	674,286	27,721	(27,418)	-	674,589
Information systems	311,062	-	(4,029)	1,443	308,476
Leasehold improvements	23,679	1,680	(379)	5,985	30,965
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	30,226	58,636	-	(34,203)	54,659
Equipment and information systems in progress	1,443	22,576	-	(1,443)	22,576
	\$ 2,394,278	\$ 110,613	\$ (34,071)	\$ 44	\$ 2,470,864

Accumulated amortization	2013	Amortization	Disposals ⁽¹⁾	Transfers	2014
Buildings	\$ 588,851	\$ 41,114	\$ (2,117)	\$ -	\$ 627,848
Equipment	567,667	30,096	(27,418)	-	570,345
Information systems	298,455	9,033	(4,029)	-	303,459
Leasehold improvements	14,767	2,993	(379)	-	17,381
Buildings under capital lease	14,754	2,236	-	-	16,990
	\$ 1,484,494	\$ 85,472	\$ (33,943)	\$ -	\$ 1,536,023

⁽¹⁾ Included in disposals is \$0.2 million of write-downs.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

13. Tangible capital assets (continued):

Net book value	2015	2014
Land	\$ 17,852	\$ 17,703
Buildings	648,592	622,092
Equipment	98,128	104,244
Information systems	2,083	5,017
Leasehold improvements	11,303	13,584
Buildings under capital lease	92,731	94,966
Construction in progress	34,473	54,659
Equipment and information systems in progress	106,169	22,576
	\$ 1,011,331	\$ 934,841

Contributed tangible capital assets total \$0.5 million (2014 - \$0.5 million.)

Tangible capital assets are funded as follows:

	2015	2014
Deferred capital contributions	\$ 878,722	\$ 799,150
Debt	113,345	115,307
Internally funded	19,264	20,384
Tangible capital assets	\$ 1,011,331	\$ 934,841

14. Inventories held for use:

	2015	2014
Pharmaceuticals	\$ 6,622	\$ 5,413
Medical supplies	1,673	1,790
	\$ 8,295	\$ 7,203

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

15. Commitments and contingencies:

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

As at March 31, 2015, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$312.5 million (2014 - \$397.3 million).

(b) Contractual obligations:

The Authority has entered into contracts for various services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

	Contract Term	2016	2017	2018	2019	2020	Thereafter	Total
Housekeeping	2015 - 2023	\$ 26,544	\$ 27,012	\$ 27,641	\$ 27,995	\$ 28,387	\$ 72,810	\$ 210,389
Patient food services	2015 - 2020	33,871	34,549	35,240	35,945	6,127	-	145,732
Laundry	2015 - 2016	9,077	-	-	-	-	-	9,077
Waste management	2015 - 2019	1,940	1,957	1,865	1,076	-	-	6,838
Access Health Vancouver	2015 - 2037	6,138	6,087	6,332	6,388	5,990	75,189	106,124
		\$ 77,570	\$ 69,605	\$ 71,078	\$ 71,404	\$ 40,504	\$ 147,999	\$ 478,160

(c) Long-term residential care contracts:

The Authority has entered into contracts with 35 service providers to provide residential care services. The aggregate annual commitments for these contracts is \$319.0 million for 2015 (2014 – 35 service providers, \$327.0 million).

(d) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2016	\$ 27,794
2017	24,757
2018	22,407
2019	20,292
2020	18,518
Thereafter	90,430
	\$ 204,198

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

15. Commitments and contingencies (continued):

(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, 2015, 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.

16. Statement of operations:

(a) Other contributions:

	2015	2014
Provincial Health Services Authority	\$ 145,929	\$ 144,826
BC government reporting entities	12,711	13,058
Other	20,534	16,244
	\$ 179,174	\$ 174,128

(b) Patients, clients and residents revenue:

	2015	2014
Long-term and extended care	\$ 34,272	\$ 33,481
Non-residents of Canada	18,326	14,029
Non-residents of BC	17,635	15,114
WorkSafe BC	9,457	9,328
Residents of BC self pay	5,987	5,140
Preferred accommodation	4,473	4,114
Other	3,048	2,117
	\$ 93,198	\$ 83,323

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

16. Statement of operations (continued):

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

	2015	2014
Compensation:		
Compensation	\$ 1,152,842	\$ 1,134,149
Employee benefits	225,318	235,177
Gain on event driven employee benefits	(9,729)	(35,085)
	<u>1,368,431</u>	<u>1,334,241</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 18(a))	762,932	770,636
Health and support services providers	518,957	523,461
	<u>1,281,889</u>	<u>1,294,097</u>
Supplies:		
Medical and surgical	101,841	98,364
Drugs and medical gases	67,163	59,338
Diagnostic	19,221	18,962
Printing, stationery and office	4,192	4,133
Laundry and linen	3,246	2,869
Food and dietary	2,582	2,409
Housekeeping	2,146	2,098
Other	22,624	22,660
	<u>223,015</u>	<u>210,833</u>
Amortization of tangible capital assets	82,097	85,472
Equipment and building services:		
Equipment	50,150	37,743
Plant operations (utilities)	19,232	18,628
Rent	17,735	18,431
Building and grounds service contracts	22,449	22,447
Other	(2,659)	10,390
	<u>106,907</u>	<u>107,639</u>
Sundry:		
Professional fees	31,011	23,013
Communication and data processing	8,545	8,166
Travel	5,930	5,554
Patient transport	4,888	4,920
Other	16,932	26,082
	<u>67,306</u>	<u>67,735</u>
Research	21,768	20,647
Interest on debt and capital leases	5,860	6,511
	<u>\$ 3,157,273</u>	<u>\$ 3,127,175</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

16. Statement of operations (continued):

(d) Gain on sale of assets available for sale:

During the fiscal year, the Pearson Dogwood Lands has been identified for disposition with the goal of optimizing both the value and use of assets to support the strategic goals of the Authority. This property was identified as a target property for the government's Asset Realization Strategy. As at March 31, 2015, the net book value of this property was \$0.17 million. Subsequent to the fiscal year, the purchase and sale agreement was executed at the price of \$302.0 million (see note 22).

During the fiscal year ended March 31, 2014, three properties were sold and net proceeds from the dispositions were recognized to income as a gain on sale of assets available for sale in the amount of \$20.3 million.

17. Supplementary cash flow information:

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

	2015	2014
Accounts receivable	\$ (12,300)	\$ 16,465
Accounts payable and accrued liabilities	(27,955)	28,866
Deferred operating contributions	(92)	497
Deferred research and designated contributions	(152)	(2,482)
Replacement reserves	24	71
Inventories held for use	(1,092)	1,045
Prepaid expenses	(2,614)	(3,319)
	\$ (44,181)	\$ 41,143

(b) Acquisition of tangible capital assets:

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

	2015	2014
Acquisition of tangible capital assets	\$ 158,938	\$ 110,684
Disposal of tangible capital assets	(16,348)	(34,071)
	\$ 142,590	\$ 76,613

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

18. Related parties and other agencies:

(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.

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

	2015	2014
Revenue		
Ministry of Health contributions	\$ 2,407,216	\$ 2,427,507
Medical Services Plan	213,402	206,035
Other Contributions	158,640	157,884
Recoveries from other health authorities and BC government reporting entities	139,019	124,621
Amortization of deferred capital contributions	49,702	52,583
	<u>\$ 2,967,979</u>	<u>\$ 2,968,630</u>
Expenses		
Distributions to affiliated organizations (note 16(c))	\$ 594,234	\$ 608,405
Referred-out and contracted services (note 16(c))	168,698	162,231
Supplies purchased from Shared Services Facility	71,776	70,211
Sundry	46,097	45,613
	<u>\$ 880,805</u>	<u>\$ 886,460</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

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

(a) BC government reporting entities (continued):

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

	2015	2014
Accounts receivable		
Ministry of Health	\$ 33,960	\$ 25,428
Other health authorities and BC government reporting entities	29,581	30,590
Medical Services Plan	11,091	9,910
	<u>\$ 74,632</u>	<u>\$ 65,928</u>
Accounts payable and accrued liabilities	\$ 34,755	\$ 49,207
Deferred operating contributions	\$ 342	\$ 452
Deferred capital contributions	\$ 832,856	\$ 695,388

Included in accounts receivable is \$2.5 million (2014 - \$1.1 million) due from PHC, \$nil (2014 - \$1.5 million) due from R.W. Large, and \$nil (2014 - \$1.2 million) due from Bella Coola. Included in accounts payable is \$3.5 million (2014 - \$13.7 million) due to PHC, \$nil (2014 - \$2.0 million) due to R.W. Large, and \$nil (2014 - \$1.0 million) due to Bella Coola.

(b) Foundations and auxiliaries:

There are 15 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations within the Authority area. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of 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 granted \$38.1 million (2014 - \$40.2 million) to various facilities within the Authority.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

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

(c) Affiliated organizations:

The financial statements of the Affiliates are not consolidated with the Authority. The annual surplus (deficit) and accumulated deficit of these affiliates are as follows:

	2015	2014
Annual surplus (deficit):		
Providence Health Care	\$ 178	\$ 846
Bella Coola General Hospital	-	(402)
R.W. Large Memorial Hospital	-	(255)
	<hr/>	<hr/>
	\$ 178	\$ 189
Accumulated deficit:		
Providence Health Care	\$ (69,531)	\$ (69,709)
Bella Coola General Hospital	-	(611)
R.W. Large Memorial Hospital	-	(1,140)
	<hr/>	<hr/>
	\$ (69,531)	\$ (71,460)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

19. 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 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 uncollectible amounts. As at March 31, 2015, the amount of allowance for doubtful accounts was \$13.1 million (2014 - \$12.4 million).

The Authority is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

(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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

19. Risk management (continued):

(b) Liquidity risk (continued)

The tables below show when various financial assets and liabilities mature:

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 240,812	\$ -	\$ -	\$ 240,812
Portfolio investments	338	5,373	-	5,711
Accounts receivable	89,200	-	-	89,200
Loans receivable	5,116	-	-	5,116
Financial assets	\$ 335,466	\$ 5,373	\$ -	\$ 340,839

2015 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 278,481	\$ -	\$ -	\$ 278,481
Obligations under capital leases	1,141	9,688	98,084	108,913
Debt	1,041	3,391	-	4,432
Financial liabilities	\$ 280,663	\$ 13,079	\$ 98,084	\$ 391,826

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 195,270	\$ -	\$ -	\$ 195,270
Portfolio investments	15,000	-	-	15,000
Accounts receivable	77,277	-	-	77,277
Loans receivable	-	5,242	-	5,242
Financial assets	\$ 287,547	\$ 5,242	\$ -	\$ 292,789

2014 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 303,436	\$ -	\$ -	\$ 303,436
Obligations under capital leases	921	8,304	100,609	109,834
Debt	1,041	4,432	-	5,473
Financial liabilities	\$ 305,398	\$ 12,736	\$ 100,609	\$ 418,743

The maturity dates of the remaining financial assets and liabilities cannot be determined and therefore, are excluded from the above amounts.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

19. 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 the Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

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.

20. Impact of accounting for restricted contributions in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*:

As disclosed in the significant accounting policies note 1(a), Restricted Contributions Regulation 198/2011 requires the Authority to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related capital tangible assets, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Authority is as follows:

For the year ended March 31, 2014		
Increase in operating surplus	\$	37,306
As at March 31, 2014		
Decrease in accumulated operating deficit	\$	881,699
Decrease in deferred capital contributions		881,699
For the year ended March 31, 2015		
Increase in operating surplus	\$	136,793
As at March 31, 2015		
Decrease in accumulated operating deficit	\$	1,018,492
Decrease in deferred capital contributions		1,018,492

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2015

21. Comparative figures:

Certain of the prior year's figures have been reclassified to conform with current year's presentation.

22. Subsequent event:

During the fiscal year, an agreement was being developed with the Onni Group as the Authority's development partner for the Pearson Dogwood Lands redevelopment. Under the terms of the agreement, the Authority will retain a 3.2 acre parcel of the 25.4 acre site, which will be developed for health care and community uses, including a new 150 bed residential care home, a community health centre, a YMCA, and a new therapeutic pool. The George Pearson Centre will be replaced by 114 housing units for people with disabilities distributed across the rest of the Pearson Dogwood Lands and integrated with other market and affordable housing.

Subsequent to the fiscal year, the purchase and sale agreement was executed at the price of \$302.0 million. The closings of the purchase and sale will be completed during the fiscal year ending March 31, 2016.