Consolidated Financial Statements of

PROVINCIAL HEALTH SERVICES AUTHORITY

Year ended March 31, 2016

June 29, 2016

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Provincial Health Services Authority, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated operating surplus, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net debt, cash flows and remeasurement gains and losses for the year then ended, and the related notes, 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 our opinion, we draw your attention to note 1 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 21 to the consolidated financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Provincial Health Services Authority
Management Report

The consolidated financial statements of the Provincial Health Services Authority (the "Authority") were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated financial statements, and include amounts based upon management's best estimates and judgments. The accounting principles of the financial reporting framework were consistently applied. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 29, 2016.

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

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

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

The consolidated financial statements have been examined by PricewaterhouseCoopers, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, comply with the *Budget Transparency and Accountability Act* of the Province of British Columbia in presenting the Authority's financial position, results of operations, changes in net debt and cash flows in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated financial statements. Their Auditor's Report, which follows, outlines the scope of their examination and their opinion.

Carl Roy
President and Chief Executive Officer

Thomas Chan
Chief Financial Officer

Vancouver, BC

June 29, 2016

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents (note 2)	$ 195,683	$ 163,286
Portfolio investments (note 3)	35,567	56,518
Accounts receivable (note 4)	235,689	205,349
Inventories held for sale (note 5)	15,540	15,449
Long-term disability and health and welfare benefits (note 11(b)(i))	-	9,860
	482,479	450,462
Liabilities		
Accounts payable and accrued liabilities (note 6)	401,692	377,361
Deferred operating contributions (note 7)	39,914	46,499
Deferred research and designated contributions (note 8)	29,077	35,012
Asset retirement obligations (note 9)	1,990	1,954
Debt (note 10)	199,446	122,247
Retirement allowance (note 11(a))	84,350	81,203
Long-term disability and health and welfare benefits (note 11(b)(i))	1,978	-
Deferred capital contributions (note 12)	916,199	853,420
	1,674,646	1,517,696
Net debt	$ (1,192,167)	$ (1,067,234)
Non-financial assets		
Tangible capital assets (note 13)	$ 1,205,786	$ 1,076,113
Inventories held for use (note 14)	45,842	51,017
Prepaid expenses	14,594	14,331
	1,266,222	1,141,461
Accumulated surplus		
Accumulated operating surplus	$ 72,960	$ 72,137
Accumulated remeasurement gains	1,095	2,090
	$ 74,055	$ 74,227

Commitments and contingencies (note 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(o))	2016	2015
Revenues:			
Ministry of Health contributions	$ 1,894,592	$ 1,926,683	$ 1,853,403
Recoveries from other health authorities and BC government reporting entities	457,712	507,512	483,277
Medical Services Plan	175,900	193,965	181,327
Other contributions (note 16(a))	98,738	98,735	98,177
Research and designated contributions (note 8)	85,485	85,817	80,888
Amortization of deferred capital contributions (note 12)	86,196	80,698	86,644
Other (note 16(b))	31,045	39,414	35,639
Patients, clients and residents (note 16(c))	12,443	20,245	17,524
Pharmacare	5,550	5,617	6,546
Investment income	2,233	2,442	1,658
	2,849,894	2,961,128	2,845,083
Expenses (note 16(d)):			
Acute	1,881,442	1,929,034	1,865,837
Corporate	492,312	568,084	554,030
Population health and wellness	197,251	189,808	184,763
Community care	149,415	141,197	107,907
Mental health and substance use	127,719	130,428	130,148
Residential care	1,755	1,754	1,755
	2,849,894	2,960,305	2,844,440
Annual operating surplus	$ -	$ 823	$ 643
Accumulated operating surplus, beginning of year	72,137	72,137	71,494
Accumulated operating surplus, end of year	$ 72,137	$ 72,960	$ 72,137

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Changes in Net Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016 Budget (note 1(o))	2016	2015
Annual operating surplus	$ -	$ 823	$ 643
Acquisition of tangible capital assets	(200,063)	(201,376)	(174,798)
Transfer of tangible capital assets	-	(7,613)	-
Asset retirement obligations	-	(44)	(464)
Amortization of tangible capital assets	90,204	83,547	85,680
Net book value of disposed tangible capital assets	-	617	4,589
Contributed tangible capital assets	-	(21)	(1,214)
Capitalized interest	-	(4,783)	(1,813)
	(109,859)	(128,850)	(87,377)
Acquisition of inventories held for use	-	(214,418)	(218,249)
Acquisition of prepaid expenses	-	(89,667)	(103,641)
Consumption of inventories held for use	-	216,994	213,877
Use of prepaid expenses	-	89,404	102,369
Write-off of inventories held for use	-	2,599	-
	-	4,912	(5,644)
Net remeasurement (losses) gains	-	(995)	2,090
Increase in net debt	(109,859)	(124,933)	(90,931)
Net debt, beginning of year	(1,067,234)	(1,067,234)	(976,303)
Net debt, end of year	$ (1,177,093)	$ (1,192,167)	$ (1,067,234)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities:		
Annual operating surplus	$ 823	$ 643
Items not involving cash:		
Amortization of deferred capital contributions	(80,698)	(86,644)
Accretion of asset retirement obligations	10	22
Amortization of tangible capital assets	83,547	85,680
Fair value of transferred land	-	(462)
Write-off of inventories held for use	2,599	-
Net book value of disposed tangible capital assets	617	4,589
Reduction of asset retirement obligations	(19)	(3)
Transfer of HealthCare Pool Surplus	-	(13,829)
Retirement allowance expense	8,374	8,971
Long-term disability and health and welfare benefits expense	53,346	25,451
BC Public Service Long-term Disability Plan	-	(195)
Interest expense	5,735	5,733
Interest income	(2,442)	(1,658)
	71,892	28,298
Net change in non-cash operating items (note 17(a))	(8,775)	40,839
Interest received	3,118	2,885
Interest paid	(5,735)	(5,733)
Net change in cash from operating activities	60,500	66,289
Capital activities:		
Asset retirement costs paid	-	(1,996)
Acquisition of tangible capital assets (note 17(b))	(128,722)	(127,227)
Net change in cash from capital activities	(128,722)	(129,223)
Investing activities:		
Proceeds from disposal and redemption of portfolio investments	19,280	10,930
Purchase of portfolio investments	-	(1,463)
Net change in cash from investing activities	19,280	9,467
Financing activities:		
Retirement allowance benefits paid	(5,227)	(6,045)
Long-term disability and health and welfare benefits contributions	(41,508)	(1,183)
Repayment of debt	(237)	(143)
Capital contributions	128,311	120,956
Net change in cash from financing activities	81,339	113,585
Increase in cash and cash equivalents	32,397	60,118
Cash and cash equivalents, beginning of year	163,286	103,168
Cash and cash equivalents, end of year	$ 195,683	$ 163,286

Supplementary cash flow information (note 17)
See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

	2016	2015
Accumulated remeasurement gains, beginning of year	$ 2,090	$ -
Unrealized (losses) gains attributable to portfolio investments	(737)	2,090
Amounts reclassified to the consolidated statement of operations, portfolio investments	(258)	-
Accumulated remeasurement gains, end of year	$ 1,095	$ 2,090

See accompanying notes to consolidated financial statements.

Provincial Health Services Authority (the "Authority") was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (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 not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

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

The agencies/programs (collectively referred to as "Agencies") of the Authority are:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Mental Health Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

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

Effective April 1, 2016, the operations of Health Shared Services BC were transferred to BC Clinical and Support Services Society, a separate legal entity independent of PHSA (note 22).

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated 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").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has 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 require 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

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the consolidated statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 21.

(b) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Agencies which are controlled by the Authority. The Agencies are fully consolidated in these financial statements. Inter-Agency transactions, balances and activities have been eliminated on consolidation.

The Authority, acting on behalf of the British Columbia Cancer Agency Branch (“BCCA”), and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. (“ARHCC Inc.”) in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Authority. BCCA’s interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements.

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 consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (see note 18(b)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and 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 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.

(d) Portfolio investments:

Portfolio investments include money market instruments, banker’s acceptances, pooled money market funds, treasury bills, bonds and shares of publicly traded companies.

Money market instruments, banker’s acceptances, pooled money market funds, treasury bills and bonds are recorded at cost adjusted for any write-downs. Shares of publicly traded companies are recorded at fair value. Any changes in fair value are recognized in the consolidated statement of remeasurement gains and losses. 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.

1. Significant accounting policies (continued):

(e) 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 consolidated statement of operations.

(f) Inventories held for sale:

Inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Net realizable value is the estimated selling price less any costs to sell.

Inventories held for sale include pharmaceutical, medical/surgical, and other materials and supplies.

(g) 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.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, 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.

(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 and health and welfare 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.

1. Significant accounting policies (continued):

(h) Employee benefits (continued):

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

The cumulative unrecognized actuarial gains and losses on 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 11 years (2015 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on 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) 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.

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

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 consolidated 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. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items. Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

1. Significant accounting policies (continued):

(j) 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 are 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 consolidated 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 fair value can be reasonably determined.

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

(k) Measurement uncertainty:

The preparation of consolidated 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 fair value of portfolio investments, the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, the future costs to settle employee benefit obligations, and certain amounts in public-private partnership projects.

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

1. Significant accounting policies (continued):

(l) 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. Any gain and loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of operations.

(m) Financial instruments:

Upon inception and subsequent to initial recognition, derivatives and equity instruments quoted in an active market are measured at fair value. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified into another measurement category for the duration of the period they are held.

All other financial assets and financial liabilities 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 amortized cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost or amortized 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.

The classification of financial instruments is determined upon their initial recognition.

Financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category as described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

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

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated 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.

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.

(n) Capitalization of public-private partnership projects:

Public-private partnership (“P3”) projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Authority.

The asset cost includes development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partner’s operating costs, financing costs and a return of their capital.

1. Significant accounting policies (continued):

(o) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2015/2016 Budget approved by the Board of Directors on April 23, 2015 and published in the Authority's Service Plan. The budget is reflected in the consolidated statement of operations and accumulated operating surplus and the consolidated statement of changes in net debt.

(p) 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 consolidated 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 PS 3420 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 consolidated financial statements of the Authority.

1. Significant accounting policies (continued):

(p) Future accounting standards (continued):

(iii) In June 2015, PSAB issued PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3210 on the consolidated financial statements of the Authority.

(iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the consolidated financial statements of the Authority.

(v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the consolidated financial statements of the Authority.

(vi) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;

(Amounts expressed in thousands of dollars)

1. Significant accounting policies (continued):

(p) Future accounting standards (continued):

- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. The Authority adopted the requirements of PS 3430 earlier and applied it to the restructuring transactions occurring in the fiscal year that began on April 1, 2016.

2. Cash and cash equivalents:

	2016	2015
Cash and cash equivalents	$ 195,502	$ 163,118
Restricted cash	181	168
	$ 195,683	$ 163,286

Restricted cash is related to patient trust accounts.

3. Portfolio investments:

	2016	2015
Money market instruments, banker's acceptances, pooled money market funds, treasury bills and bonds	$ 34,472	$ 54,428
Shares of publicly traded companies	1,095	2,090
	$ 35,567	$ 56,518

Shares of publicly traded companies are recorded at fair value. Fair value of shares is determined with reference to the market price and is in the level 1 fair value measurement category. These shares were received by the Authority at $- cost as consideration in intellectual property licensing transactions.

(Amounts expressed in thousands of dollars)

4. Accounts receivable:

	2016	2015
Other health authorities and BC government reporting entities	$ 101,733	$ 86,121
Ministry of Health	26,998	18,296
Foundations and auxiliaries	26,174	13,914
Medical Services Plan	25,267	32,821
Other grantors	14,071	8,058
Patients, clients and residents	11,311	8,921
Federal government	6,538	8,123
Other	38,805	40,034
	250,897	216,288
Allowance for doubtful accounts	(15,208)	(10,939)
	$ 235,689	$ 205,349

5. Inventories held for sale:

	2016	2015
Medical supplies	$ 15,089	$ 14,978
Pharmaceuticals	451	471
	$ 15,540	$ 15,449

During the year, $206,194 (2015 – $196,728) of inventories were sold by the Authority.

6. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	$ 222,279	$ 219,550
Salaries and benefits payable	111,367	92,596
Accrued vacation pay	63,724	60,581
Long-term accounts payable	3,807	3,771
Accrued Mental Health Plan costs	334	695
Patient trust funds	181	168
	$ 401,692	$ 377,361

Long-term accounts payable are long-term payment obligations in relation to the construction of Abbotsford Regional Hospital and Cancer Centre.

(Amounts expressed in thousands of dollars)

7. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry, other ministries, the federal government and other sources in the form of externally restricted operating funding received for various programs. These include Riverview site environmental remediation, evaluation and transition costs, the pandemic drug inventory initiative, funding the e-Health and Panorama project initiatives and other programs.

	2016	2015
Deferred operating contributions, beginning of year	$ 46,499	$ 17,003
Contributions received during the year	2,774	29,578
Transferred to deferred capital contributions (note 12)	(7,532)	-
Amounts recognized as revenue in the year	(1,827)	(82)
Deferred operating contributions, end of year	$ 39,914	$ 46,499

8. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research, Canadian Cancer Society Research Institute, Genome Canada, Terry Fox Research Institute, National Institutes of Health, foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2016	2015
Deferred research and designated contributions, beginning of year	$ 4,926	$ 7,352
Contributions received during the year	13,950	15,393
Transferred to deferred capital contributions (note 12)	(280)	-
Amounts recognized as revenue in the year	(17,586)	(20,278)
Amounts to be received in future periods	2,295	2,459
Deferred research and designated contributions, end of year	$ 3,305	$ 4,926

(Amounts expressed in thousands of dollars)

8. Deferred research and designated contributions (continued):

Other contributions		2016		2015
Deferred research and designated contributions, beginning of year	$	30,086	$	36,415
Contributions received during the year		58,418		48,298
Transferred to deferred capital contributions (note 12)		(3,467)		(3,936)
Transferred to deferred operating contributions (note 7)		(462)		-
Amounts recognized as revenue in the year		(68,231)		(60,610)
Amounts recognized in revenue from operations		(973)		(116)
Amounts to be received in future periods		10,401		10,035
Deferred research and designated contributions, end of year	$	25,772	$	30,086

		2016		2015
Government transfers	$	3,305	$	4,926
Other contributions		25,772		30,086
Balance, end of year	$	29,077	$	35,012

9. Asset retirement obligations:

		2016		2015
Asset retirement obligations, beginning of year	$	1,954	$	3,480
New obligations		74		170
Incurred costs		-		(1,996)
Change in estimates		(48)		278
Accretion		10		22
Asset retirement obligations, end of year	$	1,990	$	1,954

The Authority has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased and owned premises and land at future dates. The settlement of these obligations will occur at the expiry of the leases and as owned premises undergo renovations, or as land reclamation activities occur.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $2,089 (2015 – $2,017) over the term to expected settlement, at a credit-adjusted risk-free rate of 0.65% (2015 – 0.56%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2015 – 2.00%).

(Amounts expressed in thousands of dollars)

9. Asset retirement obligations (continued):

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed. The asset retirement obligations capitalized in respect of land are not amortized.

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. The Authority has not recognized asset retirement obligations where 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 the 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.

10. Debt:

	2016	2015
P3:		
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in accordance with the project agreement terms including annual interest of 7.75%	$ 56,400	$ 56,559
BC Cancer Agency Centre for the North, 30 year contract to September 2042 with Plenary Health Prince George GP, payable in monthly payments of $117 including annual interest of 8.09% in accordance with the project agreement terms	16,276	16,354
Phase 2 BC Children's and BC Women's Redevelopment Project, 30 year contract to June 2047 with Affinity Partnerships, payable in monthly payments of $1,195 including annual interest of 6.61% in accordance with the project agreement terms	126,770	49,334
	$ 199,446	$ 122,247

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 15(d).

(Amounts expressed in thousands of dollars)

11. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by 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, 2015 and extrapolated to March 31, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next expected valuation will be as of December 31, 2018.

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit obligation:		
Severance benefits	$ 65,999	$ 49,211
Sick leave benefits	33,878	25,680
	99,877	74,891
Unamortized actuarial (loss) gain	(15,527)	6,312
Accrued benefit liability	$ 84,350	$ 81,203

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

	2016	2015
Accrued benefit liability, beginning of year	$ 81,203	$ 78,277
Net benefit expense:		
Current service cost	5,679	5,902
Interest expense	3,070	3,298
Amortization of actuarial gain	(730)	(405)
Net benefit expense	8,019	8,795
Benefits paid	(5,227)	(6,045)
Accrued benefit obligation transferred from other health authorities	355	176
Accrued benefit liability, end of year	$ 84,350	$ 81,203

(Amounts expressed in thousands of dollars)

11. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
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 Authority's 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 liabilities (assets) are reflected in these consolidated financial statements.

The Authority's liabilities (assets) as of March 31, 2016 are based on the actuarial valuation at December 31, 2015, extrapolated to March 31, 2016. The next expected valuation will be as of December 31, 2016.

(Amounts expressed in thousands of dollars)

11. 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 obligation (asset) reported on the consolidated statement of financial position is as follows:

	2016	2015
Accrued benefit obligation	$ 78,830	$ 67,398
Fair value of plan assets	(76,852)	(77,258)
Net funded liability (asset)	$ 1,978	$ (9,860)

	2016	2015
Long-term disability and health and welfare benefits asset, beginning of year	$ (9,860)	$ (20,299)
Net benefit expense:		
Health and welfare benefit expense	28,689	7,030
Actuarial loss	13,829	8,248
Long-term disability expense	11,755	11,870
Interest expense	3,423	2,981
Employee payments	(250)	(247)
Expected return on assets	(4,218)	(3,958)
Net benefit expense	53,228	25,924
Contributions to the plan	(41,508)	(1,183)
Transfer of health and welfare benefits net expense (surplus)	118	(13,829)
Effect of change in plan valuation date	-	(473)
Long-term disability and health and welfare benefits liability (asset), end of year	$ 1,978	$ (9,860)
Benefits paid to claimants	$ 44,270	$ 9,307

Plan assets consist of:

	2016	2015
Debt securities	42%	43%
Foreign equities	36	34
Equity securities and other	22	23
Total	100%	100%

(Amounts expressed in thousands of dollars)

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2016	2015
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.30%
Rate of benefit increase	1.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.80%
Rate of compensation increase	1.50%	2.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.30%	5.80%

Actual rate of return on plan assets was 7.70% (2015 – 10.80%).

(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 were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $23,671 were expensed during the year ended March 31, 2015. 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 plan.

(iii) Joint benefit trusts:

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Trust will transition to the joint benefit trusts.

11. 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*, and to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan.

Employer contributions to the Municipal Pension Plan of $66,723 (2015 – $60,554) 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 $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 11,400 are employees of the Authority (2015 – 10,700). The actuarial valuation date was as of December 31, 2015, with results available in fall 2016. The next expected valuation will be as of December 31, 2018.

Employer contributions to the Public Service Pension Plan of $18,983 (2015 – $19,237) 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, 2014 indicated a surplus of approximately $194,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 56,000 active members, of which approximately 4,300 are employees of the Authority (2015 – 4,000). The next actuarial valuation will be as of March 31, 2017.

The Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan is a single employer defined contribution plan. Employer contributions to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan of $2,874 were expensed during the year (2015 – $2,778). As at March 31, 2016, the plan covered approximately 1,400 (2015 – 1,400) active members, all of which are employees of the Authority.

(Amounts expressed in thousands of dollars)

12. Deferred capital contributions:

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

	2016	2015
Deferred capital contributions, beginning of year	$ 853,420	$ 818,293
Capital contributions received:		
Ministry of Health	97,434	91,829
Foundations and auxiliaries	27,263	17,084
Other	11,167	12,858
	135,864	121,771
Transfer of tangible capital assets	7,613	-
Amortization for the year	(80,698)	(86,644)
Deferred capital contributions, end of year	$ 916,199	$ 853,420

Deferred capital contributions comprise the following:

	2016	2015
Contributions used to purchase tangible capital assets	$ 875,412	$ 816,876
Unspent contributions	40,787	36,544
	$ 916,199	$ 853,420

13. Tangible capital assets:

Cost	2015	Additions	Disposals	Transfers	2016
Land	$ 143,780	$ -	$ -	$ -	$ 143,780
Land improvements	2,393	-	-	-	2,393
Buildings	833,950	222	-	7,346	841,518
Equipment	425,734	11,835	(17,945)	8,757	428,381
Information systems	229,586	2,598	(5,125)	17,810	244,869
Leasehold improvements	38,371	53	-	1,285	39,709
Vehicles	77,754	9,273	(4,782)	-	82,245
Construction in progress	123,090	156,588	-	(17,903)	261,775
Equipment and information systems in progress	58,323	25,655	-	(10,106)	73,872
Total	$1,932,981	$ 206,224	$ (27,852)	$ 7,189	$2,118,542

(Amounts expressed in thousands of dollars)

13. Tangible capital assets (continued):

Accumulated amortization	2015	Amortization	Disposals	Transfers	2016
Land improvements	$ 2,119	$ 18	$ -	$ -	$ 2,137
Buildings	265,095	23,548	-	-	288,643
Equipment	326,137	27,725	(17,403)	(463)	335,996
Information systems	196,129	21,130	(5,115)	39	212,183
Leasehold improvements	20,961	2,709	-	-	23,670
Vehicles	46,427	8,417	(4,717)	-	50,127
Total	$ 856,868	$ 83,547	$ (27,235)	$ (424)	$ 912,756

Cost	2014	Additions	Disposals	Transfers	2015
Land	$ 143,318	$ 462	$ -	$ -	$ 143,780
Land improvements	2,339	54	-	-	2,393
Buildings	827,391	768	(22,058)	27,849	833,950
Equipment	411,189	21,456	(16,215)	9,304	425,734
Information systems	222,131	4,901	(2,486)	5,040	229,586
Leasehold improvements	34,706	466	(144)	3,343	38,371
Vehicles	76,123	8,841	(7,603)	393	77,754
Construction in progress	51,879	112,074	-	(40,863)	123,090
Equipment and information systems in progress	34,122	29,267	-	(5,066)	58,323
Total	$1,803,198	$ 178,289	$ (48,506)	$ -	$1,932,981

Accumulated amortization	2014	Amortization	Disposals	Transfers	2015
Land improvements	$ 2,104	$ 15	$ -	$ -	$ 2,119
Buildings	261,765	23,070	(19,666)	(74)	265,095
Equipment	312,707	28,498	(14,674)	(394)	326,137
Information systems	175,553	22,424	(1,848)	-	196,129
Leasehold improvements	17,593	3,438	(144)	74	20,961
Vehicles	45,383	8,235	(7,585)	394	46,427
Total	$ 815,105	$ 85,680	$ (43,917)	$ -	$ 856,868

(Amounts expressed in thousands of dollars)

13. Tangible capital assets (continued):

Net book value	2016	2015
Land	$ 143,780	$ 143,780
Land improvements	256	274
Buildings	552,875	568,855
Equipment	92,385	99,597
Information systems	32,686	33,457
Leasehold improvements	16,039	17,410
Vehicles	32,118	31,327
Construction in progress	261,755	123,090
Equipment and information systems in progress	73,892	58,323
Total	$ 1,205,786	$ 1,076,113

During the year, $4,783 (2015 – $1,813) of interest on P3 debt has been capitalized to construction in progress.

Contributed tangible capital assets total $21 (2015 – $1,342).

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	$ 875,412	$ 816,876
Debt	203,253	126,018
Internally funded	127,121	133,219
Tangible capital assets	$ 1,205,786	$ 1,076,113

14. Inventories held for use:

	2016	2015
Pharmaceuticals	$ 40,812	$ 44,272
Medical supplies	5,030	6,745
	$ 45,842	$ 51,017

At March 31, 2016, inventories held for use included $19,262 of pandemic biologicals inventory which expires in fiscal year 2017.

(Amounts expressed in thousands of dollars)

15. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2016, the Authority had outstanding commitments for construction, equipment and information systems in progress of $461,341 (2015 – $499,425).

(b) Contractual obligations:

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

	Contract term	2017	2018	2019	2020	2021	Thereafter
Communications	2000-2097	$ 3,180	$ 3,180	$ 3,180	$ 3,180	$ 3,180	$191,428
Physician service	2015-2020	13,757	11,510	11,567	11,567	-	-
Information management & technology	2011-2025	15,270	13,090	2,149	1,548	1,548	-
Air transportation services	2012-2019	13,050	-	-	-	-	-
Other	2013-2021	4,598	3,444	467	427	-	-
		$ 49,855	$ 31,224	$ 17,363	$ 16,722	$ 4,728	$191,428

(c) Operating leases:

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

2017	$ 24,161
2018	21,930
2019	17,462
2020	14,239
2021	11,988
Thereafter	66,922
	$ 156,702

(Amounts expressed in thousands of dollars)

15. Commitments and contingencies (continued):

(d) Public-private partnerships commitments:

ARHCC Inc. entered into a multi-year P3 contract with the private sector partner Access Health Abbotsford Ltd. ("AHA"). Under the agreement, AHA designed, constructed, financed and will maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province of BC for the payment obligations to AHA.

BCCA entered into a multi-year P3 contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") to build the BC Cancer Agency Centre for the North in Prince George, BC. Under the agreement, Plenary Health designed, constructed, financed and will maintain the facilities until the end of the term of the agreement in September 2042. Payment guarantees have been provided by the Province of BC for the payment obligations to Plenary Health.

Children's & Women's Health Centre of British Columbia Branch entered into a multi-year P3 contract with the private sector partner Affinity Partnerships. Under the agreement, Affinity Partnerships will design, construct, partially finance and maintain the Teck Acute Care Centre until the end of the term of the agreement in June 2047. Payment guarantees have been provided by the Province of BC for the payment obligations to Affinity Partnerships.

The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 10. FM and lifecycle payments to the private partners are contingent on specified performance criteria and include an estimation of inflation, where applicable.

	Capital and financing	FM and lifecycle	Total payments
2017	$ 6,346	$ 3,194	$ 9,540
2018	17,174	9,310	26,484
2019	20,852	11,927	32,779
2020	20,944	12,382	33,326
2021	21,039	13,274	34,313
Thereafter	449,037	548,256	997,293
	$ 535,392	$ 598,343	$ 1,133,735

(Amounts expressed in thousands of dollars)

15. Commitments and contingencies (continued):

(d) Public-private partnerships commitments (continued):

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2017	$ 349
2018	1,987
2019	2,757
2020	3,009
2021	3,357
Thereafter	187,987
	$ 199,446

(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, 2016, 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 a material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

16. Statement of operations:

(a) Other contributions:

	2016	2015
Other health authorities	$ 78,941	$ 78,941
Foundations and auxiliaries	14,114	13,891
Other ministries	4,114	4,251
Federal government	260	260
Other	1,306	834
	$ 98,735	$ 98,177

(Amounts expressed in thousands of dollars)

16. Statement of operations (continued):

(b) Other revenues:

	2016	2015
Recoveries from sales of goods and services	$ 30,032	$ 26,832
Parking	5,112	4,724
Drug sales	1,344	1,436
Other	2,926	2,647
	$ 39,414	$ 35,639

(c) Patients, clients and residents:

	2016	2015
Non-residents of BC	$ 9,755	$ 9,093
Non-residents of Canada	3,579	3,377
Preferred accommodation	2,479	2,324
Residents of BC self pay	1,428	479
Workers' Compensation Board	1,023	355
Federal government	687	737
Other	1,294	1,159
	$ 20,245	$ 17,524

(Amounts expressed in thousands of dollars)

16. Statement of operations (continued):

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

	2016	2015
Compensation:		
Compensation	$ 1,102,323	$ 1,061,742
Employee benefits	214,767	192,938
Loss on event-driven employee benefits	13,829	8,248
	1,330,919	1,262,928
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	510,984	513,923
Health and support services providers	113,650	99,786
	624,634	613,709
Supplies:		
Drugs and medical gases	208,252	204,156
Medical and surgical	67,701	59,628
Diagnostic	25,661	22,774
Food and dietary	4,896	4,248
Printing, stationery and office	4,649	4,703
Laundry and linen	2,271	2,230
Housekeeping	755	758
Other	19,248	19,376
	333,433	317,873
Cost of inventories sold to other health authorities	199,892	189,134
Equipment and building services:		
Equipment	124,280	122,747
Rent	47,765	46,602
Plant operations (utilities)	8,289	8,327
Building and grounds service contracts	7,107	8,650
	187,441	186,326
Sundry:		
Professional fees	50,322	43,957
Travel	10,532	9,686
Communication and data processing	7,793	8,173
Patient transport	598	719
Other	39,015	35,084
	108,260	97,619
Research and designated expenses	85,817	80,827
Amortization of tangible capital assets	83,547	85,680
Interest on debt	5,735	5,733
Net book value of disposed tangible capital assets	617	4,589
Accretion of asset retirement obligations	10	22
	$ 2,960,305	$ 2,844,440

(Amounts expressed in thousands of dollars)

17. Supplementary cash flow information:

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

	2016	2015
Accounts receivable	$ (30,340)	$ (7,413)
Inventories held for sale	(91)	(976)
Accounts payable and accrued liabilities	24,331	34,131
Deferred operating contributions	485	29,496
Deferred research and designated contributions	(5,473)	(8,755)
Inventories held for use	2,576	(4,372)
Prepaid expenses	(263)	(1,272)
	$ (8,775)	$ 40,839

(b) Acquisition of tangible capital assets:

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

	2016	2015
Tangible capital assets funded through P3 debt	$ 77,436	$ 49,334
Transfer of tangible capital assets	7,613	-
Additions to asset retirement obligations (note 9)	45	464
Contributed tangible capital assets	21	1,342
	$ 85,115	$ 51,140

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.

(Amounts expressed in thousands of dollars)

18. Related parties and other agencies (continued):

(a) BC government reporting entities (continued):

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

	2016	2015
Revenues:		
Ministry of Health contributions	$ 1,926,683	$ 1,853,403
Recoveries from other health authorities and BC government reporting entities	507,512	483,277
Medical Services Plan	193,965	181,327
Other contributions	83,055	83,192
Amortization of deferred capital contributions	64,135	66,864
Research and designated contributions	14,072	17,177
Patients, clients and residents	9,755	9,093
Pharmacare	5,617	6,546
	$ 2,804,794	$ 2,700,879
Expenses:		
Referred-out and contracted services	$ 510,984	$ 513,923
Compensation and benefits	23,854	24,729
Sundry	16,268	7,225
Equipment and building services	12,727	26,344
Supplies	10,868	16,069
Research and designated expenses	9,547	8,983
	$ 584,248	$ 597,273
Accounts receivable:		
Other health authorities and BC government reporting entities	$ 101,733	$ 86,121
Ministry of Health	26,998	18,296
Medical Services Plan	25,267	32,821
	$ 153,998	$ 137,238
Accounts payable and accrued liabilities	$ 63,677	$ 77,587
Deferred operating contributions	35,895	42,847
Deferred research and designated contributions	1,335	1,607
Deferred capital contributions	677,917	644,365
	$ 778,824	$ 766,406

(Amounts expressed in thousands of dollars)

18. Related parties and other agencies (continued):

(b) Foundations and auxiliaries:

The following foundations and auxiliaries were established to raise funds for the respective hospitals and/or health services within the Authority. The foundations and 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 consolidated financial statements of the Authority.

The following branches of the Authority have economic relationships with the foundations and auxiliaries listed under them:

British Columbia Cancer Agency Branch:
BC Cancer Foundation

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

British Columbia Mental Health Society Branch:
British Columbia Mental Health Foundation

British Columbia Transplant Society Branch:
British Columbia Transplant Foundation

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

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

	2016	2015
Operations, net	$ 11,745	$ 28,175
Research	12,540	13,882
Other designated purposes	3,767	32,399
Capital	26,772	5,998
	$ 54,824	$ 80,454

(Amounts expressed in thousands of dollars)

18. Related parties and other agencies (continued):

(b) Foundations and auxiliaries (continued):

$200,364 (2015 – $184,256) of funds which the foundations have reflected as donations to the Authority for the year ended March 31, 2016 have not yet transferred to the Authority. These funds are externally restricted, and as the Authority has not yet received the funds or met the external restrictions, they have not been reflected in these consolidated financial statements.

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 below by type of risk.

(a) Credit risk:

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

The Authority manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The portfolio investments are in low risk instruments with varying maturities held with a top rated financial institution. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institution 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 collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2016, the amount of allowance for doubtful accounts was $15,208 (2015 – $10,939).

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. At March 31, the following accounts receivable were past due but not impaired:

	2016	2015
30 days	$ 814	$ 510
60 days	642	451
90 days	203	71
Over 120 days	1,110	372

(Amounts expressed in thousands of dollars)

19. Risk management (continued):

(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.

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

2016 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 163,626	$ -	$ -	$ 163,626
Portfolio investments	20,600	14,967	-	35,567
Accounts receivable	235,689	-	-	235,689
Total financial assets	$ 419,915	$ 14,967	$ -	$ 434,882

2016 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 365,371	$ 265	$ 3,999	$ 369,635
Debt	349	11,110	187,987	199,446
Total financial liabilities	$ 365,720	$ 11,375	$ 191,986	$ 569,081

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 163,286	$ -	$ -	$ 163,286
Portfolio investments	22,167	34,351	-	56,518
Accounts receivable	204,928	421	-	205,349
Total financial assets	$ 390,381	$ 34,772	$ -	$ 425,153

(Amounts expressed in thousands of dollars)

19. Risk management (continued):

(b) Liquidity risk (continued):

2015 Financial liabilities		Up to 1 year		1 to 5 years		Over 5 years		Total
Accounts payable and accrued liabilities	$	372,587	$	450	$	4,324	$	377,361
Debt		236		8,109		113,902		122,247
Total financial liabilities	$	372,823	$	8,559	$	118,226	$	499,608

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

(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 makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

		2016		2015
US dollar per Canadian dollar	$	0.770	$	0.790

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.

(Amounts expressed in thousands of dollars)

19. Risk management (continued):

(c) Foreign exchange risk (continued):

The carrying amounts of the Authority's foreign currency denominated financial liabilities and financial assets as at March 31 are as follows:

	2016 US dollar	2015 US dollar
Cash and cash equivalents	$ -	$ 1,267
Accounts receivable	3,797	3,769
Total financial assets	$ 3,797	$ 5,036

	2016 US dollar	2015 US dollar
Accounts payable and accrued liabilities	$ 2,322	$ 3,254
Deferred research and designated contributions	4,154	2,880
Total financial liabilities	$ 6,476	$ 6,134

20. Comparative figures:

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

21. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), 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 tangible capital asset, 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.

(Amounts expressed in thousands of dollars)

21. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 (continued):

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

As at March 31, 2014	
Increase in accumulated operating surplus	$ 781,264
Decrease in deferred capital contributions	(781,264)
For the year ended March 31, 2015	
Increase in annual operating surplus	35,612
As at March 31, 2015	
Increase in accumulated operating surplus	816,876
Decrease in deferred capital contributions	(816,876)
For the year ended March 31, 2016	
Increase in annual operating surplus	58,536
As at March 31, 2016	
Increase in accumulated operating surplus	875,412
Decrease in deferred capital contributions	(875,412)

22. Subsequent events:

On December 21, 2015, the Ministry directed that, effective April 1, 2016, the operations of Health Shared Services BC will be transferred to BC Clinical and Support Services Society. BC Clinical and Support Services Society will continue rendering services to health organizations in BC that were previously provided by Health Shared Services BC. The agreement to transfer operations, assets and liabilities of Health Shared Services BC to BC Clinical and Support Services Society was signed on March 31, 2016.

22. Subsequent events (continued):

The estimated financial effect of this restructuring is as follows:

Decrease in financial assets	$	78,137
Decrease in liabilities		94,800
Decrease in net debt		16,663
Decrease in non-financial assets		16,663
Decrease in revenues		355,707
Decrease in expenses		355,707