

Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2010

Vancouver Island Health Authority Statement of Management Responsibility

The consolidated financial statements of the Vancouver Island Health Authority (the "Authority") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 27, 2010. The consolidated financial statements have also been reviewed by the Finance and Audit Committee.

Management maintains systems of internal controls designed 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. An internal audit function periodically evaluates internal controls and reports its findings to management and the Finance and Audit Committee.

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

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors, and management to satisfy itself that each group has properly discharged its responsibilities with respect to the annual financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.

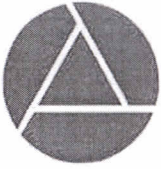


President and Chief Executive Officer



Vice President and Chief Financial Officer

Victoria, BC
May 27, 2010



Report of the Auditor General of British Columbia

*To the Board of Directors of
the Vancouver Island Health Authority, and*

*To the Minister of Health Services
Province of British Columbia:*

I have audited the consolidated statement of financial position of the Vancouver Island Health Authority as at March 31, 2010, and the consolidated statements of operations, changes in net assets (deficiency), and cash flows for the year then ended. These financial statements are the responsibility of the Vancouver Island Health Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Vancouver Island Health Authority as at March 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 27, 2010*

John Doyle, MBA, CA
Auditor General

VANCOUVER ISLAND HEALTH AUTHORITY

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

As at March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated see note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,940	\$ 69,541
Short-term investments	12,855	14,887
Accounts receivable (note 4)	59,836	65,124
Inventories of materials and supplies	15,443	14,342
Prepays	15,732	11,039
	<u>163,806</u>	<u>174,933</u>
Long-term investments	30,300	1,957
Capital assets (note 5)	877,575	752,417
	<u>\$ 1,071,681</u>	<u>\$ 929,307</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 148,114	\$ 147,250
Deferred operating contributions (note 7)	12,026	9,765
Current portion of long-term debt (note 8)	717	3,549
Current portion of retirement allowance (note 9(a))	9,540	7,516
Current portion of long-term disability benefits (note 9(b)(i))	6,507	-
	<u>176,904</u>	<u>168,080</u>
Long-term debt (note 8)	11,091	8,937
Retirement allowance (note 9(a))	72,087	72,110
Long-term disability benefits (note 9(b)(i))	6,079	11,080
Public Private Partnership obligations (note 3)	130,328	55,821
Deferred capital contributions (note 10)	759,551	706,873
	<u>1,156,040</u>	<u>1,022,901</u>
Net assets (deficiency):		
Invested in capital assets (note 11(a))	24,089	25,628
Externally restricted - endowment	92	48
Externally restricted - other	4,706	4,809
Internally restricted	11,765	9,584
Unrestricted	(125,011)	(133,663)
	<u>(84,359)</u>	<u>(93,594)</u>
Commitments and contingencies (note 13)		
	<u>\$ 1,071,681</u>	<u>\$ 929,307</u>

See the accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

 Director

 Director

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Operations
(Amounts expressed in thousands of dollars)

For the year ended March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated see note 2)
Revenues:		
Ministry of Health Services contributions	\$ 1,379,810	\$ 1,309,279
Medical Services Plan	126,625	113,812
Other contributions (note 14)	84,148	84,092
Amortization of deferred capital contributions	67,095	64,989
Other (note 15)	55,545	57,146
Patient, clients and residents (note 16)	52,571	52,875
Pharmacare	1,947	1,174
Investment income (note 17)	335	3,131
	<u>1,768,076</u>	<u>1,686,498</u>
Expenses:		
Compensation and benefits	1,030,831	993,802
Referred out and contracted services (note 18)	404,480	370,731
Supplies (note 19)	164,244	165,587
Amortization of capital assets	67,309	65,897
Equipment and building services	57,823	56,867
Sundry	31,141	33,468
Interest on long-term debt	645	698
	<u>1,756,473</u>	<u>1,687,050</u>
Excess (deficiency) of revenues over expenses before loss on disposal	<u>\$ 11,603</u>	<u>\$ (552)</u>
Loss on disposal of capital assets (note 22)	(2,412)	(1,604)
Excess (deficiency) of revenues over expenses	<u>\$ 9,191</u>	<u>\$ (2,156)</u>

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010, with comparative figures for 2009

	Invested in capital assets (note11)	Externally restricted endowment	Externally restricted other	Internally restricted	Unrestricted	2010 Total	2009 Total
							(Restated See note 2)
Balance, beginning of year	\$ 25,628	\$ 48	\$ 4,809	\$ 9,584	\$ (133,663)	\$(93,594)	\$(91,438)
Excess (deficiency) of revenues over expenses	(2,239)	-	(103)	2,181	9,352	9,191	(2,156)
Transfer to invested in capital assets	700	-	-	-	(700)	-	-
Endowment contribution	-	44	-	-	-	44	-
Balance, end of year	\$ 24,089	\$ 92	\$ 4,706	\$11,765	\$ (125,011)	\$(84,359)	\$(93,594)

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated see note 2)
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 9,191	\$ (2,156)
Items not involving cash:		
Amortization of capital assets	67,309	65,897
Amortization of deferred capital contributions	(67,095)	(64,989)
Loss on disposal of capital assets	2,412	1,604
Net change in non-cash items (note 20)	6,169	(10,297)
	17,986	(9,941)
Cash flows from investing activities:		
Purchase of capital assets:		
Land	-	(194)
Land improvements	-	(455)
Buildings	(38,729)	(18,283)
Equipment	(36,918)	(25,230)
Construction in progress	(44,822)	(71,193)
	(120,469)	(115,355)
Proceeds on disposal of capital assets	98	-
Net change in short-term investments	2,032	17,329
Net change in long-term investments	(28,343)	12,466
	(146,682)	(85,560)
Cash flows from financing activities:		
Capital contributions	119,773	94,628
Repayment of Healthcare Benefit Trust unfunded liability	-	(30,963)
Repayment of long-term debt	(678)	(2,226)
	119,095	61,439
Decrease in cash and cash equivalents	(9,601)	(34,062)
Cash and cash equivalents, beginning of year	69,541	103,603
Cash and cash equivalents, end of year	\$ 59,940	\$ 69,541
Cash and cash equivalents are comprised of:		
Cash	\$ 59,940	\$ 69,541
	\$ 59,940	\$ 69,541

See the accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

The Vancouver Island Health Authority (the "Authority") was formed on December 12, 2001 pursuant to a Ministerial Order under the Health Authorities Act and provides a full range of health services to over 750,000 residents of Vancouver Island, on the islands of the Georgia Strait, and in the mainland communities north of Powell River and south of Rivers Inlet.

The Authority employs over 17,000 people and provides an extensive range of services including: emergency services, inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, children's services and programs, community, home care and home support services, residential care services, environmental and public health including promotion and protection, and communicable disease control, testing and research.

The Authority is a registered charity under the Income Tax Act, and as such, is exempt from income taxes.

The Authority is a member of the BC Health Authorities SSO Administration Society (SSO-Shared Services Organization) which is a non-profit society exempt from federal and provincial income taxes. Its purpose is to find opportunities where the Health Authorities can improve cost effectiveness by working collaboratively on common services. The Society was incorporated on October 15, 2008 and operations under the SSO mandate officially commenced April 1, 2009. The assets, liabilities, revenues, and expenses of SSO are not consolidated in the Authority's financial statements. All material transactions have been disclosed in the notes as related party transactions. In the 2010/11 fiscal year, the SSO will no longer be a separate entity and its operations absorbed within the Provincial Health Services Authority.

These consolidated financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries and other organizations that provide services under contracts.

1. Significant accounting policies

(a) Basis of presentation:

The consolidated financial statements include the operations of the Vancouver Island Health Authority, the Cumberland Regional Hospital Laundry Society and the OBL Continuing Care Society. All significant balances and transactions between the entities have been eliminated.

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

(b) Revenue recognition:

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

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with the budget management plan and performance agreements established and approved by the Ministry of Health Services. Approved operating contributions are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of the contribution relates to a future period, it is deferred and recognized in that subsequent period.

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated.

Endowment contributions are recognized as direct increases in net assets.

(c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased, are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Equipment with a total value of \$383,888 (2009 - \$1,349,367) was contributed to the Authority during the year.

(d) Financial instruments:

The Authority measures its cash equivalents, short-term investments, and long-term investments at fair value. Annual changes in the fair value of investments are recognized in the consolidated statement of operations. Transaction costs directly attributable to the acquisition of the investments are recognized as expenses immediately on the statement of operations.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

The Authority's other financial instruments include accounts receivable, accounts payable and accrued liabilities, long-term disability liabilities and assets, accrued retirement allowance liabilities, and long term debt. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued retirement allowance liabilities and accrued long-term disability liabilities and assets, which are disclosed in note 9, and long term debt which is recorded at amortized book value.

(e) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are treated as cash equivalents. Cash equivalents are designated as held-for-trading securities and are recorded at fair value. At the end of the year the Authority held no cash equivalents (2009-nil).

(f) Short-term investments:

The short-term investments include money market funds and bonds. Short-term investments are designated as held-for-trading securities and are recorded at fair value.

(g) Inventories of materials and supplies:

Inventories are valued at the lower of average cost and replacement cost.

(h) Long-term investments:

Long-term investments consist of bond funds that are not expected to mature within the next fiscal year. Long-term investments are designated as held-for-trading securities and are recorded at fair value.

(i) Capital assets:

Purchased capital assets greater than \$5,000 are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized.

The authority records amortization on its assets on a straight-line basis over the useful life of the assets, based on the following years of useful life:

Land improvements	5 – 20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information Systems equipment and software	3 – 10 years

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

1. Significant accounting policies (continued):

(j) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple-employer defined long-term disability benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retiring allowance benefits is 10 years (2009 – 10 years). The average remaining service period of the active employees covered by the multiple-employer defined long-term disability benefits is 10 years (2009 – 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

(k) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises, resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(l) Internally restricted net assets:

The Authority has internally restricted certain funds for a variety of uses. These uses include capital asset acquisitions, staff education and other sundry uses. The use of these funds is limited to the terms of reference as approved by the fund administrators.

(m) Externally restricted net assets:

Externally restricted net assets consist of endowment contributions and other contributions which are externally restricted in their use. The uses include research, education, scholarships and bursaries. Use of these funds is limited to the terms of reference.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

1. Significant accounting policies (continued):

(n) Referred out and contracted services:

Referred out and contracted services are payments to affiliate organizations, other long-term care facilities, home support and other agencies.

(o) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of amortization of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance and long-term disability benefits. Actual results could differ from the estimates.

(p) Capitalization of public-private partnership project:

The Royal Jubilee Hospital Patient Care Centre is a public-private partnership project (P3). ISL Health is the private sector partner selected to design, build, finance and maintain the asset (note 13(b)). The cost of the asset is estimated at fair value, incurred as progress billings verified by an independent certifier and also includes owner's costs incurred by VIHA. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the Concession Agreement. Interest during construction is also included in the asset cost. This is calculated on the P3 asset value, less contributions from the Capital Regional Hospital District (CRHD) paid during the construction term. The interest rate used is the project internal rate of return of 6.87% (2009-6.87%). This rate is determined by calculating the internal rate of return of the future discounted cash flows. The result is a time weighted average cost of capital for the project.

Correspondingly, an obligation net of the CRHD payments made during the construction period is recorded as a liability. The obligation will be met as part of the monthly performance payments. The project assets will be amortized over their useful lives.

Upon substantial completion of construction, the partner will receive monthly payments based upon specified performance criteria. These payments will cover the partners' operating costs, financing costs and a return of their capital costs.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

1. Significant accounting policies (continued):

(q) Assessing going concern:

Management has made its assessment and concluded there is no issue regarding the Authority's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, activity levels and resultant expenditures will be adjusted to match committed funding.

(r) Changes in accounting standards:

(i) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the Authority adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removed the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and added a requirement to disclose the allocated fundraising and general support expenses, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have a material impact on the Authority's consolidated financial statements.

(ii) Amendments to Section 1000, Financial Statement Concepts:

Effective April 1, 2009, the Authority adopted the amendments in Section 1000 Financial Statement Concepts. The amendments clarify the relationship between incurring expenditures and creating assets that items which do not meet the definition of assets or liabilities are not eligible for recognition. The application of the amendments did not have an impact on the consolidated financial statements.

(s) Future accounting framework:

The Authority is currently classified as a government not-for-profit (NPO) organization. Under the direction of the Public Sector Accounting Standards Board (PSAB), the Authority adheres to the standards for NPO organizations in the CICA Handbook.

PSAB proposes to incorporate into the PSAB Handbook, the current NPO Sections (4400 standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections at this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government NPO organizations, for fiscal periods beginning on or after January 1, 2012.

The Authority intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the Authority will determine the impact to the financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

2. Long-term disability benefits restatement

During the year, management ascertained that long-term disability benefits did not include a provision for extended health, dental, life, accidental death and dismemberment, and 50% of Medical Services Plan premiums related to employees on long-term disability. As a result, the financial statements have been restated on a retrospective basis and result in a restatement of the 2009 comparative figures as follows:

	Amount Per 2009 Financial Statement	Prior Period Adjustment	2009 Comparatives Restated
<u>Consolidated Statement of Financial Position</u>			
Long term disability benefits	\$ 7,828	\$ (18,908)	\$ (11,080)
Net assets - Unrestricted	(114,755)	(18,908)	(133,663)
<u>Consolidated Statement of Operations</u>			
Compensation & Benefits	991,051	2,751	993,802
Excess (deficiency) of revenues over expenses	595	(2,751)	(2,156)

3. Public-private partnership obligations:

Project	Construction Completion Date	Interest Rate	Contract Term	Capital Obligations 2010	Capital Obligations 2009
Royal Jubilee Hospital Patient Care Centre	2010/11	6.87%	30 years	\$130,328	\$ 55,821
				\$130,328	\$ 55,821

4. Accounts receivable

	2010	2009
Medical Services Plan	\$ 20,796	\$ 22,682
Ministry of Health Services	9,455	14,430
Other	10,436	12,262
Patient and third party	10,641	8,140
Regional Hospital Districts	9,243	7,472
Hospital Foundations	2,681	3,024
	\$ 63,252	\$ 68,010
Less: allowance for doubtful accounts	(3,416)	(2,886)
	\$ 59,836	\$ 65,124

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

5. Capital assets

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 19,594	\$ -	\$ 19,594	\$ 19,594
Land improvements	13,234	7,918	5,316	5,429
Buildings	755,805	332,378	423,427	412,295
Equipment	444,508	335,879	108,629	113,515
Equipment under capital lease	346	341	5	7
Construction in progress	245,438	-	245,438	122,283
Equipment in progress	55,157	-	55,157	59,015
Leasehold improvements	22,977	9,000	13,977	14,273
Information Systems equipment and software	53,344	47,312	6,032	6,006
	\$ 1,610,403	\$ 732,828	\$ 877,575	\$ 752,417

6. Accounts payable and accrued liabilities

	2010	2009
Trade accounts payable and accrued liabilities	\$ 68,507	\$ 74,016
Accrued vacation pay	44,101	42,561
Salaries and benefits payable	35,506	30,673
	\$ 148,114	\$ 147,250

7. Deferred operating contributions

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

	2010	2009
Deferred operating contributions, beginning of year	\$ 9,765	\$ 8,803
Less amount recognized as revenue in the year	(3,893)	(5,529)
Add amount received for future periods	6,154	6,491
Deferred operating contributions, end of year	\$ 12,026	\$ 9,765

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

8. Long term debt

	2010	2009
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 6,980	\$ 7,216
Royal Bank loan, interest at 3.89% per annum, due November 16, 2014, repayable at \$29,815 per month, including interest.	2,872	3,104
CMHC mortgage, interest at 3.16% per annum, due June 1, 2013, repayable at \$13,179 per month, including interest. Secured by land and buildings with a net book value of \$586,300.	1,024	1,148
CMHC mortgage, interest at 3.16% per annum, due June 1, 2013, repayable at \$7,188 per month, including interest. Secured by buildings with a net book value of \$2,011,791.	524	593
CMHC mortgage, interest at 3.16% per annum, due June 1, 2013, repayable at \$2,518 per month, including interest. Secured by buildings with a net book value of \$419,774.	408	425
Long-term debt at end of year	11,808	12,486
Less current portion of long-term debt	717	3,549
Long-term portion of long-term debt	\$ 11,091	\$ 8,937

Scheduled principal payments and maturities over the next five years are as follows:

2011	\$ 717
2012	7,213
2013	501
2014	519
2015	2,060

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

9. 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 agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an independent actuarial valuation as at March 31, 2010, using an early measurement date of December 31, 2009. The next required valuation will be as of December 31, 2012.

Information about employee retirement allowance benefits is as follows:

	2010	2009
Accrued benefit obligation:		
Sick leave benefits	\$ 27,562	\$ 24,470
Severance benefits	44,163	38,455
Total unfunded obligation	71,725	62,925
Balance of unamortized amounts	9,902	16,701
Accrued retirement allowance liabilities	81,627	79,626
Less current portion	9,540	7,516
Long-term portion	\$ 72,087	\$ 72,110
Retirement allowance expense	\$ 7,509	\$ 8,679
Benefits paid	5,793	5,325

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

	2010	2009
Accrued benefit obligation as at March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

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

(i) Long-term disability benefits:

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

The Authority's March 31, 2010 liabilities are based on an actuarial valuation using an early measurement date of December 31, 2009 (March 31, 2009: measurement date of December 31, 2008). The next required valuation will be as of December 31, 2010.

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

	2010	2009	2009
		(Restated See note 2)	
Accrued benefit obligation	\$ 158,946	\$ 132,510	\$ 113,144
Fair value of plan assets	113,364	76,566	76,566
Net unfunded obligation, December 31	45,582	55,944	36,578
Balance of unamortized amounts	(23,968)	(35,957)	(36,433)
Contributions to the plan during January to March	(9,028)	(8,907)	(7,973)
Accrued long-term disability liability (asset)	12,586	11,080	(7,828)
Less current portion	6,507	-	-
Long-term portion	\$ 6,079	\$ 11,080	\$ (7,828)
Long-term disability expense	\$ 36,152	\$ 34,711	\$ 31,960
Benefits paid	22,650	22,046	19,513

In August 2008 the Authority paid \$31.0 million towards its Healthcare Benefit Trust unfunded actuarial liability.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2010	2009
Debt securities	54%	58%
Equity securities	20%	18%
Foreign equities	25%	24%
Other	1%	-
Total	100%	100%

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

	2010	2009
Accrued benefit obligation as at March 31:		
Discount rate	4.90%	7.00%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	7.00%	5.50%
Expected long-term rate of return on plan assets	6.25%	6.75%
Rate of benefit increase	2.50%	2.50%

(ii) Other trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$36.0 million (2009 - \$29.0 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2009 indicated a surplus of \$42.1 million (2009 - \$30.3 million). The multi-employee plan covers approximately 80,000 active members for Health, Dental, Life and AD&D benefits. Of this, approximately 12,000 are employees of the Authority.

Although the trust has been restructured, the Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
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For the year ended March 31, 2010

9. 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 \$49.9 million (2009 - \$47.3 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, 2006 indicated a surplus of \$438 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 157,000 active employees of which approximately 12,300 are employees of the Authority. The next required evaluation will be as of December 31, 2009 with results available in 2010.

Employer contributions to the Public Service Pension Plan of \$1.5 million (2009 - \$1.5 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2008 indicated a surplus of \$487 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 58,000 active employees of which approximately 285 are employees of the Authority.

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

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10. Deferred capital contributions

Deferred capital contributions represent externally restricted grants and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2010	2009
Deferred capital contributions, beginning of year	\$ 706,873	\$ 677,234
Capital funding receipts:		
Ministry of Health Services	39,578	34,309
Regional Hospital Districts	72,723	49,315
Foundations (note 12)	5,912	10,058
Other	1,560	946
	119,773	94,628
Less amortization for the year	67,095	64,989
Deferred capital contributions, end of year	\$ 759,551	\$ 706,873

Deferred capital contributions are comprised of the following:

	2010	2009
Contributions used to purchase capital assets	\$ 712,463	\$ 659,474
Unspent contributions	47,088	47,399
	\$ 759,551	\$ 706,873

11. Invested in capital assets

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

	2010	2009
Capital assets	\$ 877,575	\$ 752,417
Amounts financed by:		
Unamortized capital contributions (note 10)	(712,463)	(659,474)
Long-term debt	(140,872)	(66,941)
Other	(151)	(374)
	\$ 24,089	\$ 25,628

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

11. Invested in capital assets (continued):

(b) Deficiency of revenue over expenses:

	2010	2009
Amortization of deferred capital contributions	\$ 67,095	\$ 64,989
Amortization of capital assets	(67,309)	(65,897)
Loan interest	(306)	(527)
Parkade revenue	693	693
Loss on disposal of capital asset	(2,412)	(1,604)
	<u>\$ (2,239)</u>	<u>\$ (2,346)</u>

(c) Transfer to invested in capital assets:

	2010	2009
Principal payments on long-term debt	\$ 678	\$ 2,226
Transfer from deferred capital contributions	22	-
	<u>\$ 700</u>	<u>\$ 2,226</u>

12. Related party transactions

(a) Hospital foundations:

The Authority is supported by a number of foundations incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. The purpose of these foundations is to raise funds in the community for the purpose of furthering the interests and objectives of the facilities which they support. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations are related to the Authority by virtue of holding resources which are to be used to produce revenue or provide services for the Authority. The funds are provided to the Authority restricted for use to specified capital purchases and programs.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

12. Related party transactions (continued):

(a) Hospital foundations (continued):

The hospital foundations provided the following capital funding to the Authority during the year:

	2010	2009
Victoria Hospitals Foundation	\$ 3,511	\$ 3,895
Nanaimo and District General Hospital Foundation	734	3,585
Saanich Peninsula Hospital Foundation	443	361
Lady Minto Hospital Foundation	365	391
Queen Alexandra Foundation for Children	304	302
Greater Victoria Eldercare Foundation	171	473
Campbell River Hospital and Yucalta Lodge Foundation	111	361
Cowichan District Hospital Foundation	109	642
Chemainus Health Care Foundation	69	48
Tofino Hospital Foundation	57	-
West Coast General Hospital Foundation	38	-
	\$ 5,912	\$ 10,058

The capital funding amounts from the various foundations represent funding receipts upon completion of certain capital purchases within the year. Fluctuations in funding amounts are attributed to the timing and nature of capital purchases. They do not necessarily represent annual funding commitments provided by the foundations. At March 31, 2010 the hospital foundations have committed to provide additional capital funding to the Authority of \$9.3 million in future years.

(b) BC Health Authority Shared Services Organization (SSO):

The Authority is a member of the BC Health Authority Shared Services Organization (SSO). The authority's financial statements include the following transactions with the SSO:

	2010	2009
Expenses:		
Referred out and contracted services	\$ 371	\$ -

(c) Province of BC Government entities:

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
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12. Related party transactions (continued):

(c) Province of BC Government entities (continued):

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

	2010	2009
Revenue		
Ministry of Health contributions	\$ 1,379,810	\$ 1,309,279
Medical Services Plan	126,625	113,812
Other contributions	77,593	76,580
Patients, clients and residents	8,530	7,284
Pharmacare	1,947	1,174
Amortization of deferred capital contributions	46,290	42,380
Other	19,485	20,525
	<u>\$ 1,660,280</u>	<u>\$ 1,571,034</u>
Expenses		
Referred out and contracted services	\$ 68,721	\$ 63,442
Other	19,514	24,744
	<u>\$ 88,235</u>	<u>\$ 88,186</u>
Receivables		
Medical Services Plan	\$ 20,796	\$ 22,682
Ministry of Health Services	9,455	14,430
Other health authorities and provincial agencies	2,162	3,694
	<u>\$ 32,413</u>	<u>\$ 40,806</u>
Payables and accruals		
Trade accounts payable and accrued liabilities	\$ 2,522	\$ 1,621
Deferred capital contributions	493,322	511,371
Deferred operating contributions	9,008	7,444

13. Commitments and contingencies

(a) Construction projects in process:

As at March 31, 2010 the Authority had outstanding commitments for construction projects in progress of \$ 7.9 million (2009 - \$14.7 million).

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

13. Commitments and contingencies (continued):

(b) Contractual obligations:

VIHA has entered into a multiple-year public private partnership contract with ISL Health (P3 partner) to design, build, finance and maintain the Royal Jubilee Hospital Patient Care Centre. The information presented below shows the anticipated cash outflow for all future obligations under this contract including the remaining CRHD construction payments and the annual service payments for the repayment of the capital cost of the asset, lifecycle capital maintenance, soft and hard facility maintenance cost and special purpose vehicle costs. As construction proceeds, the asset values are recorded as work in progress and the corresponding liabilities are reported in VIHA's balance sheet and disclosed in note 3 (Public-private partnership obligations). Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Contract Term	2011	2012	2013	2014	Future Payments
Royal Jubilee Hospital Patient Care Centre	2008-2040					
Annual service payments		\$ 5,619	\$22,588	\$22,745	\$22,905	\$685,094
CRHD construction payments		8,333	-	-	-	-
Total future obligations		\$13,952	\$22,588	\$22,745	\$22,905	\$685,094

(c) Long-term residential care contracts:

The Authority has entered into contracts with eight service providers for a period of twenty years to provide residential care services. The aggregate annual commitments for these contracts are as follows:

2011	\$ 63,757
2012	63,757
2013	63,757
2014	63,757
2015 and thereafter	911,023
	\$1,166,051

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2010

13. Commitments and contingencies (continued):

(d) Operating leases:

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

2011	\$	12,336
2012		9,079
2013		5,645
2014		3,295
2015 and thereafter		6,150
	\$	36,505

(e) Litigation and claims:

The nature of the Authority's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2010, management is of the opinion that it has valid defenses and appropriate insurance coverages 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 in the financial statements based on management's best estimate of the ultimate settlement.

Insurance for all Health Authorities in British Columbia is provided in the form of indemnity by Government through the Risk Management Branch of the Ministry of Finance.

(f) Asset retirement obligations:

The authority has identified that certain buildings owned by the Authority contain asbestos. Where the fair value of the retirement obligations cannot be reasonably estimated due to indeterminate settlement dates for the renovation or demolitions of the buildings the Authority has not accrued asset retirement obligations. The obligations will be recorded when the amounts and timing of the costs are determinable.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
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For the year ended March 31, 2010

13. Commitments and contingencies (continued):

(f) Asset retirement obligations (continued):

The Authority has recorded an asset retirement obligation for the removal of asbestos from its Eric Martin Pavilion building. At March 31, 2010 the cash flows required to settle this asset retirement obligation have been incurred. The unamortized asset retirement obligation is being amortized over the remaining life of the building. The asset retirement obligation recorded in these financial statements is as follows:

Asset Retirement Obligation	Current Obligation	Amortization Expense	Asset Retirement Obligation
Carrying amount 2009	2010	2010	Carrying amount 2010
\$4,270	\$1,931	\$1,360	\$4,841

14. Other contributions

	2010	2009
Provincial Health Services Authority	\$ 65,190	\$ 61,764
Other Ministries	12,223	14,476
Other	6,735	7,852
	\$ 84,148	\$ 84,092

15. Other revenue

	2010	2009
Services and other external recoveries	\$ 32,896	\$ 31,407
Staff remuneration recoveries	10,508	10,564
Ancillary operations	5,233	4,763
Other	2,735	5,840
Hospice	2,804	2,749
Fees and licenses	1,369	1,823
	\$ 55,545	\$ 57,146

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Notes to Consolidated Financial Statements
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For the year ended March 31, 2010

16. Patient, clients and residents revenue

	2010	2009
Long-term care and extended care self pay	\$ 21,564	\$ 20,675
Residents of British Columbia self pay	7,644	9,066
Non-residents of British Columbia	8,530	7,284
WorkSafe BC	4,407	5,987
Non-residents of Canada	5,138	4,608
Other	3,946	4,263
Preferred accommodation	1,342	992
	\$ 52,571	\$ 52,875

17. Investment income

	2010	2009
Income earned on investments	\$ 347	\$ 1,986
Bank interest	114	932
Unrealized changes in market value of investments	(162)	170
Other	36	43
	\$ 335	\$ 3,131

18. Referred-out and contracted services

	2010	2009
Residential care	\$ 192,056	\$ 169,923
Community care	75,845	68,843
Acute care	57,641	53,034
Administration/support	41,937	40,913
Mental health	24,093	24,635
Public & preventive health	12,908	13,383
	\$ 404,480	\$ 370,731

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For the year ended March 31, 2010

19. Supplies

	2010	2009
Medical & surgical supplies	\$ 65,885	\$ 65,355
Drugs & medical gases	39,178	39,051
Diagnostic	19,792	20,216
Plant operation	13,190	13,487
Other supplies	7,018	8,183
Laundry & linen	7,171	7,150
Food & dietary supplies	6,516	6,226
Printing, stationery & office	3,838	4,292
Housekeeping	1,656	1,627
	\$ 164,244	\$ 165,587

20. Supplemental cash flow information

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

	2010	2009
Accounts receivable	\$ 5,288	\$ (15,124)
Inventories of materials and supplies	(1,104)	(428)
Prepays	(4,693)	564
Accounts payable and accrued liabilities	864	(1,360)
Deferred operating contributions	2,261	962
Retirement allowance	2,001	3,347
Long-term disability benefits	1,506	644
Prior year restatement of undepreciated capital	-	1,098
Transfers to equity	46	-
	\$ 6,169	\$ (10,297)
(b) Cash paid for interest on long-term debt	\$ 645	\$ 698

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Consolidated Financial Statements
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21. Capital disclosures

The Authority defines capital to be net assets and deferred capital contributions. The Authority receives its principal source of capital through funding received from the Ministry of Health Services.

The Authority's objective when managing capital is to fund its operations and capital asset investments. The Authority manages the capital structure in conjunction with the Ministry of Health Services and makes adjustments based on available government funding and economic conditions. Currently, the Authority's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health Services.

The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding received from the Ministry of Health Services. Funding received for designated purposes must be used for the purpose outlined in the funding letter. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

22. Loss on disposal of capital assets

The Authority disposed of capital assets in 2010 with unamortized carrying costs of \$2.5 million. This resulted in a loss on disposal and is recognized in the statement of operations.

23. Comparative figures

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