

Financial Statements of

**VANCOUVER COASTAL  
HEALTH AUTHORITY**

Year Ended March 31, 2010

## Statement of Management Responsibility

The Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the internal auditors six times a year and the external auditors two times a year.

The Authority's internal auditor has the responsibility for assessing the management systems and practices of the corporation.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Authority's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of Vancouver Coastal Health Authority



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Dr. David Ostrow  
President & Chief Executive Officer



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Duncan Campbell  
Chief Financial Officer & Vice President  
System Development & Performance

Vancouver, BC  
May 7, 2010



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

To the Board of  
Vancouver Coastal Health Authority

We have audited the statement of financial position of the Vancouver Coastal Health Authority (the "Health Authority") as at March 31, 2010 and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the 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.

Chartered Accountants

Burnaby, Canada

May 7, 2010

# VANCOUVER COASTAL HEALTH AUTHORITY

## Statement of Financial Position

(Amounts expressed in thousands of dollars)

March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated- note 16)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 53,370	\$ 88,085
Short-term investments	0	6,423
Accounts receivable (note 2)	83,350	96,957
Inventories of materials and supplies (note 3)	14,702	12,885
Prepaid expenses	21,796	17,438
	<u>173,218</u>	<u>221,788</u>
Capital assets (note 4)	1,038,501	1,093,898
	<u>\$ 1,211,719</u>	<u>\$ 1,315,686</u>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 208,867	\$ 236,852
Deferred research contributions	16,524	15,497
Deferred operating contributions	15,471	42,239
Current portion of long-term debt (note 6)	5,586	8,509
Current portion of retirement allowance (note 7(a))	11,347	8,394
Current portion of long-term disability benefits (note 7(b))	8,703	6,563
	<u>266,498</u>	<u>318,054</u>
Long-term debt (note 6)	124,964	130,480
Retirement allowance (note 7(a))	89,772	90,281
Long-term disability benefits (note 7(b))	2,463	25,152
Replacement reserves (note 8)	849	903
Deferred capital contributions (note 9)	895,863	920,284
	<u>1,380,409</u>	<u>1,485,154</u>
Net assets (deficiency):		
Invested in capital assets (note 10)	32,465	42,341
Internally restricted	149	1,316
Unrestricted	(201,304)	(213,125)
	<u>(168,690)</u>	<u>(169,468)</u>
Commitments and contingencies (note 11)		
	<u>\$ 1,211,719</u>	<u>\$ 1,315,686</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# VANCOUVER COASTAL HEALTH AUTHORITY

## Statement of Operations

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated- note 16)
Revenues:		
Ministry of Health contributions	\$ 2,159,219	\$ 2,106,294
Medical Services Plan	192,122	180,774
Other contributions (note 14(a))	180,644	166,397
Amortization of deferred capital contributions	107,019	102,897
Patients, clients and residents (note 14(b))	70,484	68,684
Other (note 14(c))	61,562	63,515
Research contributions	15,569	14,401
	<u>2,786,619</u>	<u>2,702,962</u>
Expenses:		
Compensation and benefits	1,250,811	1,210,256
Distributions to affiliated organizations (note 13(b))	582,339	561,523
Referred out and contracted services (note 14(d))	472,774	458,015
Supplies (note 14(e))	210,936	208,154
Depreciation of capital assets	125,649	121,722
Equipment and building services	63,046	65,653
Sundry (note 14(f))	57,743	68,846
Research	15,569	14,401
Interest	6,974	8,015
	<u>2,785,841</u>	<u>2,716,585</u>
Surplus (deficiency) of revenues over expenses	\$ 778	\$ (13,623)

See accompanying notes to financial statements.

# VANCOUVER COASTAL HEALTH AUTHORITY

## Statement of Changes in Net Assets (Deficiency)

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

	Invested in capital assets (Note 10)	Internally restricted	Unrestricted	2010	2009
Balance, beginning of year, as previously reported	\$ 42,341	\$ 1,316	\$ (195,900)	(152,243)	\$ (141,081)
Restatement due to correction of error (note 16)	0	0	(17,225)	(17,225)	(14,764)
Balance, beginning of year, as restated	\$ 42,341	\$ 1,316	\$ (213,125)	\$ (169,468)	\$ (155,845)
Surplus (deficiency) of revenues over expenses	(18,630)	0	19,408	778	(13,623)
Transfer to invested in capital assets	8,754	0	(8,754)	0	0
Other transfers	0	(1,167)	1,167	0	0
Balance, end of year	\$ 32,465	\$ 149	\$ (201,304)	\$ (168,690)	\$ (169,468)

See accompanying notes to financial statements.

# VANCOUVER COASTAL HEALTH AUTHORITY

## Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

	2010	2009
		(Restated- note 16)
Cash flows from operating activities:		
Surplus (deficiency) of revenues over expenses	\$ 778	\$ (13,623)
Items not involving cash:		
Amortization of deferred capital contributions	(107,019)	(102,897)
Depreciation of capital assets	125,649	121,722
Assets written down	6,803	0
	26,211	5,202
Net change in non-cash operating items (note 12)	(64,453)	40,759
	(38,242)	45,961
Cash flows from investing activities:		
Net change in short-term investments	6,423	4,640
Purchase of capital assets (note 12)	(76,965)	(86,479)
	(70,542)	(81,839)
Cash flows from financing activities:		
Capital contributions	82,598	82,821
Repayment of capital lease obligations	(7,512)	(10,505)
Repayment of long-term debt	(1,017)	(8,567)
	74,069	63,749
Increase (decrease) in cash and cash equivalents	(34,715)	27,871
Cash and cash equivalents, beginning of year	88,085	60,214
Cash and cash equivalents, end of year	\$ 53,370	\$ 88,085

Supplemental information (note 12)

See accompanying notes to financial statements.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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Vancouver Coastal Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("B.C."). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Authority is a registered charity under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well being of people who live in the Vancouver Coastal region and those referred from outside the region.

These financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 13) and other organizations that provide services under contracts.

## 1. Significant accounting policies:

### (a) Affiliated organizations:

Within the Vancouver Coastal area, there are three denominational health care organizations, Providence Health Care ("PHC"), Bella Coola General Hospital ("Bella Coola") and R.W. Large Memorial Hospital in Bella Bella ("R.W. Large") (collectively the "Affiliates") which have the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. These Affiliates are separate legal entities with separate boards of directors and, accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of these Affiliates are recorded as Ministry of Health contributions, and funds transferred to the Affiliates are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of these Affiliates, information on the equity and results of operations of the Affiliates is provided in Note 13(b) of these financial statements.

### (b) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not - for - profit organizations.

### (c) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are classified as cash and cash equivalents.

### (d) Inventories of materials and supplies:

Inventories of materials and supplies are recorded at the lower of average cost and replacement cost.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 1. Significant accounting policies (continued):

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Authority records depreciation on its assets on a straight-line basis over the estimated useful lives of the assets as follows:

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Buildings	5 – 50 years
Equipment and information systems	3 – 20 years

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### (f) Asset retirement obligations:

The Authority recognizes asset retirement obligations in the period in which it incurs a legal obligation associated with the retirement of a 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. These changes are recorded as expenses of the related periods.

### (g) Internally restricted net assets:

The Authority has internally restricted certain funds for a variety of uses. These uses include repairs and maintenance, capital asset acquisitions, staff training and other sundry uses. Use of these funds is limited to the related terms of reference as approved by management.

### (h) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry. Approved operating contributions are recognized as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a 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 to revenue on the same basis as the related capital assets are depreciated.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 1. Significant accounting policies (continued):

### (i) Employee benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits, long-term disability and multiple-employer defined benefit plans as employees render services to earn 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 retirement allowance benefits is 10 years (2009 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans 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.

### (j) 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.

### (k) Measurement uncertainty:

The preparation of these 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 revenues 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: valuation of accounts receivable and inventory; the determination of obsolescence and useful lives for depreciation of capital assets and amortization of deferred capital contributions; accrued liabilities; long term disability benefits and retirement allowance. Actual results could differ from the estimates.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 1. Significant accounting policies (continued):

### (l) Financial instruments:

The Authority has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and loans and receivables.

- The Authority initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Other liabilities which include the Authority's long-term disability liabilities and assets, accrued retirement allowance liabilities, long-term debt, and obligations under capital leases, are recorded at amortized cost.
- All transaction costs incurred on loans, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

Assets and liabilities classified as available-for-sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Authority has not classified any assets or liabilities as available-for-sale.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of transaction that received hedge accounting.

The Authority's financial instruments include cash, restricted cash, short-term investments, accounts receivable, long-term disability liabilities and assets, accounts payable and accrued liabilities, accrued retirement allowance liabilities, and obligations under capital leases. It is management's opinion that the Authority is not exposed to significant interest rate, 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 7. Short-term investments have been designated as held-for-trading.

The Authority has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 1. Significant accounting policies (continued):

(m) 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 requirements for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have any impact on the Authority's 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 and clarifies that items which do not meet the definition of assets or liabilities, are not eligible for recognition. The implementation of the amendments did not have an impact on the financial statements.

(n) Future accounting framework:

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

PSAB proposes to incorporate into the PSA 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 not-for-profit organizations, for fiscal periods beginning on or after January 1, 2012.

The Authority intends to continue applying the existing NPOs 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 COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 2. Accounts receivable:

	2010	2009
Province of British Columbia		
Health Authorities	\$ 12,462	\$ 9,188
Medical Services Plan	11,271	9,827
Ministry of Health	10,463	23,180
Alternative Payments Program	8,643	15,388
Other	8,577	5,521
	51,416	63,104
Other	11,050	11,332
Hospital foundations	9,194	11,071
Patient fees	6,066	10,272
Federal government	3,723	3,163
Other provinces	3,128	2,577
WorkSafeBC	2,224	1,596
	86,801	103,115
Less provision for doubtful accounts	3,451	6,158
	\$ 83,350	\$ 96,957

## 3. Inventories of materials and supplies:

Inventories of materials and supplies are comprised of:

	2010	2009
Medical supplies	\$ 9,906	\$ 8,108
Pharmaceuticals	4,571	4,349
Plant and facilities	225	428
	\$ 14,702	\$ 12,885

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 4. Capital assets:

	Cost	Accumulated Depreciation	2010 Net book value	2009 Net book value
Land	\$ 21,428	\$ 0	\$ 21,428	\$ 21,428
Buildings	1,127,191	479,646	647,545	641,663
Equipment and information systems	863,692	648,612	215,080	252,569
Equipment under capital lease	78,935	69,240	9,695	17,165
Buildings under capital lease	111,955	7,981	103,974	106,209
Information systems projects in progress	13,649	0	13,649	22,942
Construction projects in progress	27,130	0	27,130	31,922
	\$ 2,243,980	\$ 1,205,479	\$ 1,038,501	\$ 1,093,898

## 5. Accounts payable and accrued liabilities:

	2010	2009
Trade accounts payable and accrued liabilities	\$ 98,467	\$ 133,137
Accrued vacation pay	57,228	55,178
Salaries and benefits payable	53,172	48,537
	\$ 208,867	\$ 236,852

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 6. Long-term debt:

	2010	2009
Gordon & Leslie Diamond Health Care Centre capital lease obligation, 5.37% interest maturing August 2036	\$ 111,837	\$ 111,872
Equipment under capital lease obligations, with weighted average interest rate of 6.72% and maturities to 2016	8,570	15,962
Mortgages payable to CMHC, 2.86% interest, secured by first charges on properties, payable in blended payments of \$110,000 per month, renewable December 2013	10,143	11,155
	130,550	138,989
Less current portion of long-term debt	5,586	8,509
	\$ 124,964	\$ 130,480

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

2011	\$ 1,042
2012	1,072
2013	1,104
2014	1,134
2015	1,166
Thereafter	4,625
	\$ 10,143

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

2011	\$ 10,847
2012	8,785
2013	7,554
2014	6,943
2015	6,814
Thereafter	191,349
	232,292
Amounts representing interest	(111,885)
	\$ 120,407

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 7. Employee benefits:

### (a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective 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 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	\$ 77,779	\$ 69,054
Unamortized amounts	23,340	29,621
Retirement allowance liabilities	101,119	98,675
Less current portion of retirement allowance	11,347	8,394
Long-term portion of retirement allowance	\$ 89,772	\$ 90,281
Retirement allowance benefits paid	\$ 4,793	\$ 5,061
Retirement allowance expense	\$ 7,237	\$ 9,529

The significant actuarial assumptions adopted in measuring the Authority's retirement allowance liabilities 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	7.25%	5.50%
Rate of compensation increase	2.50%	2.50%

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 7. Employee benefits (continued):

### (b) Long-term disability benefits:

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

The 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 financial statements.

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.

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

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

	2010	2009
		(Restated note 16)
Accrued benefit obligation	\$ 150,915	\$ 112,834
Fair value of plan assets	80,684	51,305
Net unfunded obligation, December 31	70,231	61,529
Balance of unamortized amounts	(32,707)	(23,653)
Contributions to plan (January - March)	(26,358)	(6,161)
Accrued long-term disability liabilities	11,166	31,715
Less current portion	8,703	6,563
Long-term portion	\$ 2,463	\$ 25,152
Long-term disability expense	\$ 32,190	\$ 27,842
Benefits paid	\$ 21,545	\$ 17,904

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 7. Employee benefits (continued):

### (b) Long-term disability benefits (continued):

Plan assets consist of:

	2010	2009
Debt securities	54%	58%
Foreign equities	25%	24%
Equity securities	20%	18%
Other	1%	0%
	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%

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. As a result, the Authority accounts for these components as a defined contribution plan. Contributions to the Trust of \$1.9 million (2009 - \$1.9 million) were expensed during the year. The most recent actuarial valuation at December 31, 2009 indicated a surplus of \$42.1 million. The plan covers approximately 80,000 active employees of which approximately 15,000 are employees of the Authority. The next expected valuation will be as of December 31, 2010.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 7. Employee benefits (continued):

### (c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plans governed by the *B.C. Public Sector Pension Plans Act*.

The Authority's contributions to the Municipal Pension Plan of \$60.3 million (2009 - \$56.8 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 17,000 are employees of the Authority. An actuarial valuation is in progress as of December 31, 2009. The results of this valuation will not be available until later in 2010.

## 8. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation ("CMHC") and B.C. Housing Management Commission ("B.C. Housing"), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC or B.C. Housing, respectively.

The change in the replacement reserves is calculated as follows:

	2010	2009
Balance, beginning of year	\$ 903	\$ 973
Provision for replacement reserve funding	68	68
Interest on replacement reserves	3	32
Expenses	(125)	(170)
	\$ 849	\$ 903

The replacement reserves by facility are as follows:

	2010	2009
Olive Devaud Residence	\$ 304	\$ 286
Lions Park Senior Citizens Housing	171	171
Shorncliffe Intermediate Care	143	130
Kiwanis Intermediate Care	127	121
Cedarview Lodge	76	75
Hilltop House	28	120
	\$ 849	\$ 903

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

## 9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions 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	\$ 920,284	\$ 940,360
Ministry of Health	37,336	53,891
Hospital foundations	16,816	13,917
Canada Foundation for Innovation	8,929	12,293
Regional health districts	7,756	1,572
Canada Health Infoway	5,263	607
Other	6,498	541
	82,598	82,821
	1,002,882	1,023,181
Less amortization for year	107,019	102,897
Deferred capital contributions, end of year	\$ 895,863	\$ 920,284

Deferred capital contributions are comprised of the following:

	2010	2009
Contributions used to purchase capital assets	\$ 875,486	\$ 912,568
Unspent contributions	20,377	7,716
	\$ 895,863	\$ 920,284

## 10. Invested in capital assets:

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

	2010	2009
Capital assets	\$ 1,038,501	\$ 1,093,898
Amounts financed by:		
Deferred capital contributions	(875,486)	(912,568)
Long-term debt	(130,550)	(138,989)
	\$ 32,465	\$ 42,341

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 10. Invested in capital assets (continued):

(b) Deficiency of revenues over expenses:

	2010	2009
Amortization of deferred capital contributions	\$ 107,019	\$ 102,897
Depreciation of capital assets	(125,649)	(121,722)
	\$ (18,630)	\$ (18,825)

(c) Transfer to invested in capital assets:

	2010	2009
Acquisition of capital assets	\$ 77,055	\$ 86,660
Amounts funded by deferred capital contributions	(69,937)	(89,923)
Amounts funded by capital leases	(90)	(181)
Amounts written down	(6,803)	0
Repayment of long-term debt	8,529	19,072
	\$ 8,754	\$ 15,628

## 11. Commitments and contingencies:

(a) Operating leases:

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

2011	\$ 28,124
2012	25,540
2013	23,178
2014	19,145
2015	17,474
Thereafter	102,564
	\$ 216,025

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 11. Commitments and contingencies (continued):

### (b) Litigation and claims:

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, 2010, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

### (c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

### (d) Asset retirement obligations:

The Authority has accrued asset retirement obligations for certain buildings on the Vancouver General Hospital site that are contractually required to be demolished as part of a zoning agreement with the City of Vancouver. The aggregate amount of the liability relating to the demolition of these buildings can be reasonably determined as of March 31, 2010 as \$5.1 million (2009 – \$6.9 million). During the year, \$2.1 million of expenses were incurred against the asset retirement obligations and the obligation was accreted by \$0.3 million.

The Authority has identified significant asset retirement obligations relating to asbestos removal in several of its facilities. At this time, the Authority has not recognized these asset retirement obligations as there is an indeterminate settlement date of the future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated. The asset retirement obligation will be recognized as a liability in the period when the fair value can be reasonably estimated.

### (e) Letters of credit:

The Authority has issued through a Chartered Bank 7 letters of credit to the Cities of Vancouver and North Vancouver totaling \$1.9 million in support of commitments under building permits. The letters of credit can be drawn on only if the Authority does not fulfill its commitment under the permits. No amount is recorded in the financial statements in respect of the letters of credit.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

---

## 12. Statement of cash flows:

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

	2010	2009
Accounts receivable	\$ 13,607	\$ (16,481)
Inventories of materials and supplies	(1,817)	(252)
Prepaid expenses	(4,358)	(2,948)
Accounts payable and accrued liabilities	(27,985)	19,083
Deferred research contributions	1,027	786
Deferred operating contributions	(26,768)	38,103
Retirement allowance	2,444	4,468
Long-term disability benefits	(20,549)	(1,930)
Replacement reserves	(54)	(70)
	<u>\$ (64,453)</u>	<u>\$ 40,759</u>

(b) Purchase of capital assets:

Assets acquired or construction projects in progress under capital lease are non-cash transactions and are excluded from purchase of capital assets on the statement of cash flows.

	2010	2009
Acquisition of capital assets (note 10 (c))	\$ 77,055	\$ 86,660
Assets acquired under capital lease (note 10 (c))	(90)	(181)
Purchase of capital assets	<u>\$ 76,965</u>	<u>\$ 86,479</u>

(c) Interest paid:

During the year the Authority paid interest of \$7.0 million (2009 - \$8.0 million).

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

---

## 13. Related party and other agency operations:

### (a) Hospital foundations:

The following hospital foundations raise funds for patient care for various facilities within the Authority:

Lions Gate Hospital Foundation  
Pemberton and District Health Care Foundation  
Powell River Hospital Foundation  
Richmond Hospital Foundation  
St. Mary's Hospital Foundation  
Squamish Health Care Foundation  
VGH and UBC Hospital Foundation  
Whistler Health Care Foundation

The financial statements of the foundations have not been consolidated with those of the Authority. As at March 31, 2010, the foundations, in aggregate, held net assets of \$138.6 million (2009 - \$130.9 million). During the year, the foundations granted \$29.5 million (2009 - \$31.3 million) to various facilities within the Authority.

### (b) Affiliated organizations:

The financial statements of the Affiliates are not consolidated with the Authority. The excess (deficiency) of revenues over expenses and net equity (deficit) of these Affiliates is as follows:

	2010	2009
Deficiency of revenues over expenses:		
Providence Health Care	\$ 118	\$ (8,983)
Bella Coola General Hospital	(17)	(395)
R.W. Large Memorial Hospital	(234)	(622)
	<u>\$ (133)</u>	<u>\$ (10,000)</u>
Net assets (deficiency):		
Providence	\$ (73,815)	\$ (73,933)
Bella Coola General Hospital	(77)	(59)
R.W. Large Memorial Hospital	(1,102)	(867)
	<u>\$ (74,994)</u>	<u>\$ (74,859)</u>

Included in accounts receivable is \$5.1 million (2009 - \$2.8 million) due from PHC, \$1.2 million (2009 - \$1.5 million) due from R.W. Large, \$0.7 million (2009 - \$0.6 million) from Bella Coola. Included in accounts payable is \$4.3 million (2009 - \$6.1 million) due to PHC.

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 13. Related party and other agency operations (continued):

(c) Shared services organization:

The Authority is a member of the SSO Administration Society (SSO), which includes all six Health Authorities in British Columbia. Its purpose is to find opportunities where the Health Authorities can improve cost effectiveness by working collaboratively on common services. The SSO is governed by a Board of Directors consisting of the Chief Executive Officers of the six Health Authorities, the Chief Operating Officer of the Ministry of Health, and two external members. 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.

(d) Province of British Columbia

The Authority is related through common control 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 in the normal course of operations and recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 14. Statement of operations:

(a) Other contributions:

	2010	2009
Provincial Health Services Authority	\$ 160,272	\$ 145,741
Other B.C. government entities	13,894	13,824
Other entities	6,478	6,832
	<u>\$ 180,644</u>	<u>\$ 166,397</u>

(b) Patients, clients and residents:

	2010	2009
Long-term and extended care	\$ 25,985	\$ 21,503
Non-residents	25,522	23,548
WorkSafeBC	7,496	8,864
Preferred accommodation	4,628	5,069
Residents of B.C. self pay	4,077	8,381
Other	2,776	1,319
	<u>\$ 70,484</u>	<u>\$ 68,684</u>

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 14. Statement of operations (continued):

(c) Other revenue:

	2010	2009
Sales to B.C. government entities	\$ 41,373	\$ 41,838
Other	20,189	21,677
	\$ 61,562	\$ 63,515

(d) Referred out and contracted services:

	2010	2009
Referred out residential care	\$ 242,314	\$ 235,485
Referred out community care	158,727	152,453
Contracted food services	25,079	26,610
Contracted housekeeping	21,722	20,813
Contracted laundry	12,302	11,873
Contracted security	7,914	7,278
Other referred out services	4,716	3,503
	\$ 472,774	\$ 458,015

(e) Supplies:

	2010	2009
Medical, surgical and patient	\$ 92,800	\$ 91,120
Drugs and medical gases	55,951	52,845
Other	23,462	23,786
Plant and facilities	17,822	19,039
Diagnostic	15,741	15,433
Office	5,160	5,931
	\$ 210,936	\$ 208,154

# VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2010, with comparative figures for 2009

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## 14. Statement of operations (continued):

(f) Sundry:

	2010	2009
Rent	\$ 15,534	\$ 13,621
Professional, management and membership fees	13,033	19,781
Communications and data processing	10,846	11,794
Other	9,849	9,614
Staff travel	5,880	6,638
Patient transport	2,601	7,398
	<u>\$ 57,743</u>	<u>\$ 68,846</u>

## 15. Capital management:

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

The Authority's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Authority manages the capital structure in conjunction with the Ministry of Health 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.

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. The Authority has complied with the external restrictions on the funding provided.

## 16. Accounting restatement:

During the year, management ascertained that the amount reported for long-term disability benefits did not include amounts 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. The effect of the restatement has been to increase long-term disability benefits at March 31, 2009 and 2008 by \$17.2 million and \$14.8 million, respectively; to reduce unrestricted net assets at March 31, 2009 and 2008 by equivalent amounts, and increase the deficiency of revenues over expenses for the year ended March 31, 2009 by \$2.4 million.