

Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2011



Statement of Management Responsibility

The Consolidated Financial Statements of the Vancouver Island Health Authority (the "Authority") for the year ended March 31, 2011, 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 Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor six times a year and also with the external auditors a minimum of two times a year.

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

The external auditors, The Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Authority's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are presented fairly. The external auditors have full and free access to the Finance and Audit Committee.

On behalf of the Vancouver Island Health Authority

A handwritten signature in blue ink, appearing to read "Howard Waldner".

Howard Waldner
President and Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Bill Boomer".

Bill Boomer
Vice President and Chief Financial Officer

June 6, 2011



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Vancouver Island Health Authority (“the Entity”) and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Island Health Authority and its subsidiaries as at March 31, 2011, 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
June 6, 2011

John Doyle, MAcc, CA
Auditor General

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 116,359	\$ 59,940
Short-term investments (note 2)	-	12,855
Accounts receivable (note 3)	76,233	59,836
Inventories of materials and supplies	14,071	15,443
Prepaid expenses	11,284	15,732
	<u>217,947</u>	<u>163,806</u>
Long-term investments (note 2)	31,235	30,300
Capital assets (note 4)	964,226	877,575
	<u>\$ 1,213,408</u>	<u>\$ 1,071,681</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 176,639	\$ 148,114
Deferred operating contributions (note 6)	8,045	12,026
Current portion of long-term debt (note 7)	7,216	717
Current portion of Public Private Partnership obligations (note 9)	2,386	-
Current portion of retirement allowance (note 8(a))	8,990	9,540
Current portion of long-term disability benefits (note 8(b)(i))	1,521	6,507
	<u>204,797</u>	<u>176,904</u>
Long-term debt (note 7)	3,877	11,091
Retirement allowance (note 8(a))	74,635	72,087
Long-term disability benefits (note 8(b)(i))	15,451	6,079
Long-term Public Private Partnership obligations (note 9)	196,956	130,328
Deferred capital contributions (note 10)	791,277	759,551
	<u>1,286,993</u>	<u>1,156,040</u>
Net assets (deficiency):		
Invested in capital assets (note 11(a))	17,306	24,089
Externally restricted - endowment	92	92
Externally restricted - other	4,546	4,706
Internally restricted	14,622	11,765
Unrestricted	(110,151)	(125,011)
	<u>(73,585)</u>	<u>(84,359)</u>
Commitments and contingencies (note 13)		
	<u>\$ 1,213,408</u>	<u>\$ 1,071,681</u>

See the accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

 Director

 Director
ELLEN GODFREY

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Ministry of Health contributions	\$ 1,467,231	\$ 1,379,810
Medical Services Plan	126,022	126,625
Other contributions (note 15(a))	81,799	84,148
Amortization of deferred capital contributions	67,099	67,095
Other (note 15(b))	60,876	55,545
Patients, clients and residents (note 15(c))	58,497	52,571
Pharmacare	1,907	1,947
Investment income	996	335
	<u>1,864,427</u>	<u>1,768,076</u>
Expenses:		
Compensation and benefits	1,055,627	1,030,831
Referred out and contracted services (note 15(d))	422,983	404,480
Supplies (note 15(e))	173,191	164,244
Amortization of capital assets	73,520	67,309
Equipment and building services	85,554	57,823
Sundry (note 15(f))	39,081	31,141
Interest on long-term debt	3,697	645
	<u>1,853,653</u>	<u>1,756,473</u>
Excess (deficiency) of revenues over expenses before loss on disposal	<u>\$ 10,774</u>	<u>\$ 11,603</u>
Loss on disposal of capital assets	-	(2,412)
Excess (deficiency) of revenues over expenses	<u>\$ 10,774</u>	<u>\$ 9,191</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, 2011, with comparative figures for 2010

	Invested in capital assets (note 11)	Externally restricted endowment	Externally restricted other	Internally restricted	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	\$ 24,089	\$ 92	\$ 4,706	\$ 11,765	\$ (125,011)	\$ (84,359)	\$ (93,594)
Excess, (deficiency) of revenues over expenses	(9,154)	-	283	2,855	16,790	10,774	9,191
Transfer to invested in capital assets	2,371	-	(443)	2	(1,930)	-	-
Endowment contribution	-	-	-	-	-	-	44
Balance, end of year	\$ 17,306	\$ 92	\$ 4,546	\$ 14,622	\$ (110,151)	\$ (73,585)	\$ (84,359)

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, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 10,774	\$ 9,191
Items not involving cash:		
Amortization of capital assets	73,520	67,309
Amortization of deferred capital contributions	(67,099)	(67,095)
Loss on disposal of capital assets	-	2,412
Retirement allowance expense	8,742	7,509
Long-term disability expense	34,631	36,152
Net change in non-cash operating items (note 16)	13,994	2,662
	74,562	58,140
Cash flows from investing activities:		
Purchase of capital assets	(89,583)	(120,469)
Proceeds from disposal of capital assets	-	98
Net change in short-term investments	12,855	2,032
Net change in long-term investments	(935)	(28,343)
	(77,663)	(146,682)
Cash flows from financing activities:		
Capital contributions	98,835	119,773
Retirement allowance contributions	(6,744)	(5,508)
Long-term disability contributions	(30,244)	(34,646)
Repayment of long-term debt	(2,327)	(678)
	59,520	78,941
Increase (decrease) in cash and cash equivalents	56,419	(9,601)
Cash and cash equivalents, beginning of year	59,940	69,541
Cash and cash equivalents, end of year	\$ 116,359	\$ 59,940

Supplementary information (note 16)

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, 2011

Vancouver Island Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001, with a Board of Directors (Board) appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia. 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 Authority has over 17,000 active employees and provides services including inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, specialized children's services and programs, community, home care and home support services, residential care services, and environmental and public health including promotion and protection.

1. Significant accounting policies

(a) Affiliated organizations:

Within the Authority area, there are two denominational health care organizations, St. Joseph's General Hospital and Mount St. Mary Hospital (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.

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

These consolidated financial statements do not include the assets, liabilities, and results of operations of foundations and auxiliaries (see note 12) that support the activities of the Authority and other organizations that provide services under contracts with the Authority.

(c) Revenue recognition:

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

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

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

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. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

Endowment contributions are recognized as direct increases in externally restricted net assets.

(d) 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 consolidated financial statements.

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

Equipment with a total value of \$95,970 (2010 - \$383,888) was contributed to the Authority during the year.

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

For the year ended March 31, 2011

1. Significant accounting policies (continued):

(e) 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 8, and long-term debt, which is recorded at amortized book value.

Not-for-profit organizations may elect to continue to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation in place of CICA Handbook Sections 3862, Financial Instruments - Disclosure, and 3863, Financial Instruments

(f) 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 (2010-nil).

(g) Short-term investments:

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

(h) Inventories of materials and supplies:

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

(i) 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.

(j) Capital assets:

Purchased capital assets 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.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

1. Significant accounting policies (continued):

(j) Capital assets (continued):

The Authority records amortization on its capital assets on a straight-line basis over the useful life of the assets as shown below. Land is not amortized as it is deemed to have a permanent value.

Land improvements	5 - 20 years
Building	15 - 50 years
Equipment	3 - 20 years
Information Systems equipment and software	3 - 10 years

(k) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multi-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.

(l) 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.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

1. Significant accounting policies (continued):

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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, based on progress billings verified by an independent certifier and also includes other costs incurred by the Authority. 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 Project 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% (2010-6.87%). 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.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

1. Significant accounting policies (continued):

(q) Capitalization of public-private partnership project (continued):

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 estimated useful lives.

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

(r) 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.

(s) Future accounting framework:

Effective April 1, 2012, the Authority will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The Authority is reviewing the impact of this change on the financial statements.

2. Cash and cash equivalents and investments:

Cash and cash equivalents and investments are comprised of the following:

	2011	2010
Cash and cash equivalents	\$ 116,359	\$ 59,940
Short-term investments	-	12,855
Long-term investments	31,235	30,300
	\$ 147,594	\$ 103,095
Less amounts restricted for capital purposes	(52,168)	(47,088)
Less externally restricted net assets	(4,638)	(4,798)
Less amounts restricted for patient comfort funds	(112)	(101)
Unrestricted cash and investments	\$ 90,676	\$ 51,108

The fair market value of cash equivalents and short-term investments approximates cost.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

3. Accounts receivable:

	2011	2010
Medical Services Plan	\$ 22,619	\$ 20,796
Ministry of Health	11,039	9,455
Other health authorities and BC government reporting entities	8,366	2,162
Patients, clients and residents	10,277	10,641
Regional hospital districts	10,021	9,243
Hospital foundations	2,860	2,681
Other	15,149	8,274
	<hr/> \$ 80,331	<hr/> \$ 63,252
Less allowance for doubtful accounts	(4,098)	(3,416)
	<hr/> \$ 76,233	<hr/> \$ 59,836

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

4. Capital assets:

2011	Cost	Accumulated amortization	Net book value
Land	\$ 19,594	\$ -	\$ 19,594
Land improvements	13,664	8,573	5,091
Buildings	1,071,066	363,452	707,614
Equipment	492,695	372,021	120,674
Equipment under capital lease	328	326	2
Construction in progress	46,179	-	46,179
Equipment in progress	46,053	-	46,053
Leasehold improvements	23,649	9,826	13,823
Information Systems equipment and software	55,884	50,688	5,196
	\$ 1,769,112	\$ 804,886	\$ 964,226
2010	Cost	Accumulated amortization	Net book value
Land	\$ 19,594	\$ -	\$ 19,594
Land improvements	13,234	7,918	5,316
Buildings	755,805	332,378	423,427
Equipment	444,508	335,879	108,629
Equipment under capital lease	346	341	5
Construction in progress	245,438	-	245,438
Equipment in progress	55,157	-	55,157
Leasehold improvements	22,977	9,000	13,977
Information Systems equipment and software	53,344	47,312	6,032
	\$ 1,610,403	\$ 732,828	\$ 877,575

Certain buildings are encumbered as stated in note 7 (Long-term debt).

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

5. Accounts payable and accrued liabilities:

	2011	2010
Trade accounts payable and accrued liabilities	\$ 92,898	\$ 68,507
Accrued vacation pay	46,123	44,101
Salaries and benefits payable	37,618	35,506
	<u>\$ 176,639</u>	<u>\$ 148,114</u>

6. Deferred operating contributions:

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

	2011	2010
Deferred operating contributions, beginning of year	\$ 12,026	\$ 9,765
Less amount recognized as revenue in the year	(5,938)	(3,893)
Add amount received for future periods	1,957	6,154
	<u>\$ 8,045</u>	<u>\$ 12,026</u>

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

7. Long-term debt:

	2011	2010
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 6,732	\$ 6,980
Royal Bank loan, interest at 3.89% per annum, due November 16, 2014, repayable at \$29,815 per month, including interest.	2,621	2,872
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 \$586,928.	897	1,024
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 \$1,830,198.	453	524
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 \$ 409,540.	390	408
Long-term debt at end of year	\$ 11,093	\$ 11,808
Less current portion of long-term debt	7,216	717
Long-term portion of long-term debt	\$ 3,877	\$ 11,091

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

2012	\$ 7,216
2013	501
2014	1,568
2015	1,808
2016	-

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

8. 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.

	2011	2010
Accrued benefit obligation:		
Sick leave benefits	\$ 28,478	\$ 27,562
Severance benefits	46,145	44,163
Total unfunded obligation	74,623	71,725
Balance of unamortized amounts	9,002	9,902
Accrued retirement allowance liabilities	83,625	81,627
Less current portion	8,990	9,540
Long-term portion	\$ 74,635	\$ 72,087
Retirement allowance expense	\$ 8,742	\$ 7,509
Benefits paid	(6,744)	(5,508)

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

	2011	2010
Accrued benefit obligation as at March 31:		
Discount rate	5.25%	6.25%
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 Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

For the year ended March 31, 2011

8. 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.

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

(i) Long-term disability benefits:

The Trust is a multi-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, 2011, liabilities are based on an actuarial valuation using an early measurement date of December 31, 2010 (March 31, 2010: measurement date of December 31, 2009). The next required valuation will be as of December 31, 2011.

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

	2011	2010
Accrued benefit obligation:	\$ 159,953	\$ 158,946
Fair value of plan assets	127,908	113,364
Net unfunded obligation, December 31	32,045	45,582
Balance of unamortized amounts	(6,646)	(23,968)
Contributions to the plan during January to March	(8,427)	(9,028)
Accrued long-term disability liability	16,972	12,586
Less current portion	1,521	6,507
Long-term portion	\$ 15,451	\$ 6,079
Long-term disability expense	\$ 34,631	\$ 36,152
Long-term disability plan contributions	(30,244)	(34,646)
Benefits paid	(27,691)	(22,650)

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2011	2010
Debt securities	54%	54%
Equity securities	20%	20%
Foreign equities	25%	25%
Other	1%	1%
Total	100%	100%

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

	2011	2010
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	4.90%
Rate of benefit increase	2.50%	2.50%
Benefit cost for years ended March 31:		
Discount rate	4.90%	7.00%
Expected long-term rate of return on plan assets	6.00%	6.25%
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 \$33.3 million (2010 - \$30.9 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2010 indicated a surplus of \$17.3 million (2010 - \$42.1 million). The multi-employee plan covers approximately 85,000 active members for Health, Dental, Life and AD&D benefits. Of this, approximately 12,000 are employees of the Authority. The next valuation will be as of December 31, 2011.

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

8. 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 \$56.9 million (2010 - \$49.9 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, 2009, indicated an unfunded liability of \$1,024 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 163,000 active employees of which approximately 12,420 are employees of the Authority. The next required evaluation will be as of December 31, 2012, with results available in 2013.

Employer contributions to the Public Service Pension Plan of \$1.6 million (2010 - \$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 57,000 active employees of which approximately 236 are employees of the Authority. The next required valuation will be as of March 31, 2011, with results available in 2012.

9. Public-private partnership obligations:

Project	Construction Completion Date	Interest Rate	Contract Term	Capital Obligations 2011	Capital Obligations 2010
Royal Jubilee Hospital Patient Care Centre	2010/11	6.87%	30 years	\$ 199,342	\$ 130,328
Less current portion				2,386	-
Long-term portion of public-private partnership obligation				\$ 196,956	\$ 130,328

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

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 consolidated statement of operations.

	2011	2010
Deferred capital contributions, beginning of year	\$ 759,551	\$ 706,873
Ministry of Health	51,119	39,578
Regional hospital districts	41,955	72,723
Foundations (note 12)	5,713	5,912
Other	48	1,560
	98,835	119,773
Transfer of deferred capital contributions	(10)	-
Amortization for the year	(67,099)	(67,095)
Deferred capital contributions, end of year	\$ 791,277	\$ 759,551

Deferred capital contributions are comprised of the following:

	2011	2010
Contributions used to purchase capital assets	\$ 737,747	\$ 712,463
Unspent contributions	53,530	47,088
	\$ 791,277	\$ 759,551

11. Invested in capital assets:

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

	2011	2010
Capital assets	\$ 964,226	\$ 877,575
Amounts financed by:		
Deferred capital contributions	(737,747)	(712,463)
Long-term debt	(209,173)	(140,872)
Other	-	(151)
	\$ 17,306	\$ 24,089

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

11. Invested in capital assets (continued):

(b) Deficiency of revenue over expenses:

	2011	2010
Amortization of deferred capital contributions	\$ 67,099	\$ 67,095
Amortization of capital assets	(73,520)	(67,309)
Loan interest	(3,426)	(306)
Parkade revenue	693	693
Loss on disposal of capital asset	-	(2,412)
	\$ (9,154)	\$ (2,239)

(c) Transfer to invested in capital assets:

	2011	2010
Capital asset additions	\$ 160,210	\$ 194,976
Amounts funded by deferred capital contributions	(89,583)	(120,469)
Principal payments on long-term debt	2,327	678
Public-private partnership obligation	(70,627)	(74,507)
Transfer from deferred capital contributions	44	22
	\$ 2,371	\$ 700

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

For the year ended March 31, 2011

12. Related party transactions (continued):

(a) Hospital foundations (continued):

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

	2011	2010
Victoria Hospitals Foundation	\$ 2,025	\$ 3,511
Saanich Peninsula Hospital Foundation	929	443
West Coast General Hospital Foundation	650	38
Nanaimo and District General Hospital Foundation	631	734
Cowichan District Hospital Foundation	489	109
Queen Alexandra Foundation for Children	269	304
Campbell River Hospital and Yucalta Lodge Foundation	246	111
Greater Victoria Eldercare Foundation	179	171
Lady Minto Hospital Foundation	177	365
Tofino Hospital Foundation	77	57
Chemainus Health Care Foundation	41	69
	<hr/>	<hr/>
	\$ 5,713	\$ 5,912

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, 2011, the hospital foundations have committed to provide additional capital funding to the Authority of \$11.7 million in future years.

At March 31, 2011, the Authority held accounts receivable in the amount of \$2.9 million from the hospital foundations for capital funding and other amounts owing (note 3).

(b) Province of BC Government entities:

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

For the year ended March 31, 2011

12. Related party transactions (continued):

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

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

	2011	2010
Revenue		
Ministry of Health contributions	\$ 1,467,231	\$ 1,379,810
Medical Services Plan	126,022	126,625
Other contributions	75,003	77,593
Patients, clients and residents	8,646	8,530
Pharmacare	1,907	1,947
Amortization of deferred capital contributions	45,942	46,290
Other	23,659	19,485
	\$ 1,748,410	\$ 1,660,280
Expenses		
Referred out and contracted services	\$ 75,527	\$ 68,721
Supplies	5,226	4,685
Other	31,207	19,514
	\$ 111,960	\$ 92,920
Accounts receivable		
Medical Services Plan	\$ 22,619	\$ 20,796
Ministry of Health	11,039	9,455
Other health authorities and BC government reporting entities	8,366	2,162
	\$ 42,024	\$ 32,413
Accounts payable and accrued liabilities		
Accounts payable and accrued liabilities	\$ 4,476	\$ 2,662
Deferred capital contributions	506,079	494,032
Deferred operating contributions	5,492	9,008

13. Commitments and contingencies:

(a) Construction projects in process:

As at March 31, 2011, the Authority had outstanding commitments for construction projects in progress of \$21.2 million (2010 - \$7.9 million).

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

13. Commitments and contingencies (continued):

(b) Contractual obligations:

The Authority 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 for 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. The asset values are recorded as capital assets and the corresponding liabilities are reported in the Authority's balance sheet and disclosed in note 9 (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	2012	2013	2014	2015	Future Payments
Royal Jubilee Hospital Patient Care Centre	2008-2040					
Annual service payments		\$ 22,588	\$ 22,745	\$ 22,905	\$ 23,068	\$ 662,025
Total future obligations		\$ 22,588	\$ 22,745	\$ 22,905	\$ 23,068	\$ 662,025

(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:

2012	\$ 48,197
2013	48,197
2014	48,197
2015	48,197
2016 and thereafter	640,220
	\$ 833,008

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

13. Commitments and contingencies (continued):

(d) Operating leases:

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

2012	\$	11,752
2013		8,521
2014		5,935
2015		3,578
2016 and thereafter		2,773
	\$	32,559

(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, 2011, 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.

(f) Risk management:

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.

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

For the year ended March 31, 2011

13. Commitments and contingencies (continued):

(h) 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, 2011, 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 Authority has also recorded an asset retirement obligation for the removal of asbestos associated with the demolition of the South/East/Centre wings of the Royal Jubilee Hospital. The cash flows required to settle this obligation are expected to occur during the year ending March 31, 2012. The asset retirement obligation has been fully amortized as the building has no remaining useful life.

Asset Retirement Obligation	Current Obligation	Amortization Expense	Asset Retirement Obligation
Carrying amount 2010	2011	2011	Carrying amount 2011
Eric Martin Pavilion			
\$ 4,841	\$ 1,257	\$ 1,723	\$ 4,375
South/East Centre			
\$ -	2,000	2,000	-
\$ 4,841	\$ 3,257	\$ 3,723	\$ 4,375

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

14. Capital management:

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

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 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.

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

15. Statement of operations:

(a) Other contributions:

	2011	2010
Provincial Health Services Authority	\$ 64,258	\$ 65,190
Other ministries	11,078	12,223
Other	6,463	6,735
	<u>\$ 81,799</u>	<u>\$ 84,148</u>

(b) Other revenue:

	2011	2010
Services and other external recoveries	\$ 35,326	\$ 32,896
Compensation recoveries	9,944	10,508
Ancillary operations	5,935	5,233
Hospice	2,140	2,804
Fees and licenses	1,385	1,369
Other	6,146	2,735
	<u>\$ 60,876</u>	<u>\$ 55,545</u>

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

15. Statement of operations (continued):

(c) Patient, client, and resident revenue:

	2011	2010
Long-term care and extended care self pay	\$ 29,444	\$ 21,564
Residents of BC self pay	2,893	7,644
Non-residents of BC	8,646	8,530
WorkSafe BC	4,942	4,407
Non-residents of Canada	6,710	5,138
Preferred accommodation	1,367	1,342
Other	4,495	3,946
	\$ 58,497	\$ 52,571

(d) Referred-out and contracted services:

	2011	2010
Residential care	\$ 195,975	\$ 192,056
Community care (includes public & preventive)	92,101	88,753
Acute care	68,364	57,641
Administration/support	42,494	41,937
Mental health	24,049	24,093
	\$ 422,983	\$ 404,480

(e) Supplies:

	2011	2010
Medical and surgical	\$ 69,015	\$ 65,885
Drugs and medical gases	40,054	39,178
Diagnostic	20,281	19,792
Plant operations	15,118	13,190
Laundry and linen	7,605	7,171
Food and dietary	6,561	6,516
Printing, stationery, and office	3,244	3,838
Housekeeping	1,693	1,656
Other	9,620	7,018
	\$ 173,191	\$ 164,244

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

15. Statement of operations (continued):

(f) Sundry:

	2011	2010
Patient transport	\$ 3,616	\$ 334
Travel	8,658	7,886
Professional fees	6,129	4,764
Communications and data processing	7,401	7,954
Other	13,277	10,203
	<u>\$ 39,081</u>	<u>\$ 31,141</u>

16. Supplementary information to statement of cash flows:

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

	2011	2010
Accounts receivable	\$ (16,396)	\$ 5,288
Inventories of materials and supplies	1,373	(1,104)
Prepaid expenses	4,448	(4,693)
Accounts payable and accrued liabilities	28,525	864
Deferred operating contributions	(3,981)	2,261
Transfers to equity	25	46
	<u>\$ 13,994</u>	<u>\$ 2,662</u>

(b) Purchase of capital assets:

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

	2011	2010
Purchase of capital assets (note 11(c))	\$ 160,210	\$ 194,976
Royal Jubilee Hospital Patient Care Centre financed with long-term debt	(70,627)	(74,507)
	<u>\$ 89,583</u>	<u>\$ 120,469</u>

VANCOUVER ISLAND HEALTH AUTHORITY

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

For the year ended March 31, 2011

16. Supplementary information to statement of cash flows (continued):

(c) Other supplementary information:

	2011	2010
Interest paid	\$ 3,697	\$ 645
Interest received	1,895	926
Non-cash transactions:		
Change in market value of investments capitalized to deferred capital contributions	\$ 269	\$ (78)
Change in market value of investments recognized in the consolidated statement of operations	-	(84)

17. Subsequent event - Residential care renewal project:

Subsequent to March 31, 2011 the Authority entered into a tri-partite project agreement with the Capital Regional Hospital District (CRHD) and Baptist Housing Societies for the replacement of residential care beds. Under the agreement, the parties have agreed upon a series of transactions to develop and build two new facilities. The Authority has committed to lease the facilities for a minimum of 25 years upon construction completion and enter into a Residential Care Services agreement with Baptist Housing Care Homes Society. The facilities, Mt View Heights Residential Care Facility and the Oak Bay Residential Care Facility, are expected to be constructed by October 2013 and May 2015 respectively. As part of the agreement, the Authority will provide a one-time contribution of \$3.5 million to the cost of development and a transfer of land and building to the CRHD for nominal value. The approval to dispose of the assets is subject to final approval by the Province of BC.

18. Comparative figures:

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