

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA CENTRE
FOR DISEASE CONTROL AND
PREVENTION SOCIETY BRANCH**

Year ended March 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of British Columbia Centre for Disease Control and Prevention Society Branch

We have audited the accompanying financial statements of British Columbia Centre for Disease Control and Prevention Society Branch which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Columbia Centre for Disease Control and Prevention Society Branch as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

June 21, 2012
Vancouver, Canada

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2012, with comparative figures for 2011

| | 2012 | 2011 |
|--|-----------|-----------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 17 | \$ 41 |
| Accounts receivable (note 2) | 6,080 | 7,460 |
| Inventories of materials and supplies (note 3) | 29,485 | 31,150 |
| Prepaid expenses | 413 | 27 |
| | 35,995 | 38,678 |
| Capital assets (note 4) | 7,171 | 7,884 |
| | \$ 43,166 | \$ 46,562 |

Liabilities and Net Assets

| | | |
|---|-----------|-----------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | \$ 7,066 | \$ 8,660 |
| Deferred operating contributions (note 6) | 4,698 | 6,608 |
| Deferred contributions for designated purposes (note 7) | 4,185 | 3,396 |
| Obligations under capital leases (note 8) | - | 174 |
| Current portion of retirement allowance (note 9(a)) | 43 | 165 |
| | 15,992 | 19,003 |
| Retirement allowance (note 9(a)) | 1,290 | 1,295 |
| Asset retirement obligations (note 12(d)) | 28 | 27 |
| Deferred capital contributions (note 10) | 7,167 | 7,785 |
| | 24,477 | 28,110 |
| Net assets: | | |
| Invested in capital assets (note 11(a)) | 83 | 5 |
| Unrestricted | 18,606 | 18,447 |
| | 18,689 | 18,452 |
| | \$ 43,166 | \$ 46,562 |


Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

| | 2012 | 2011 |
|--|----------------|----------------|
| Revenues: | | |
| Provincial Health Services Authority contributions | \$ 92,991 | \$ 96,617 |
| Other contributions (note 13(a)) | 1,927 | 7,186 |
| Medical Services Plan | 1,436 | 1,086 |
| Other (note 13(b)) | 985 | 1,740 |
| Amortization of deferred capital contributions | 712 | 570 |
| Pharmacare | 590 | 731 |
| Patients, clients and residents (note 13(c)) | 359 | 597 |
| Research and designated contributions | 3,417 | 2,620 |
| | <u>102,417</u> | <u>111,147</u> |
| Expenses: | | |
| Supplies (note 13(e)) | 52,155 | 61,900 |
| Compensation and benefits | 33,046 | 31,954 |
| Equipment and building services | 5,407 | 5,619 |
| Sundry (note 13(f)) | 3,732 | 2,432 |
| Referred-out and contracted services (note 13(d)) | 3,615 | 5,764 |
| Amortization of capital assets | 807 | 812 |
| Accretion of asset retirement obligations (note 12(d)) | 1 | 1 |
| Research and designated expenses | 3,417 | 2,620 |
| | <u>102,180</u> | <u>111,102</u> |
| Excess of revenues over expenses | \$ 237 | \$ 45 |

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Changes in Net Assets (Deficiency)
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

| | Invested in capital assets | Unrestricted | Total | |
|--|-------------------------------|--------------|-----------|-----------|
| | | | 2012 | 2011 |
| Balance, beginning of year | \$ 5 | \$ 18,447 | \$ 18,452 | \$ 18,407 |
| Excess (deficiency) of revenues over expenses | (95) | 332 | 237 | 45 |
| Transfer to invested in capital assets (note 11(c)) | 173 | (173) | - | - |
| Balance, end of year | \$ 83 | \$ 18,606 | \$ 18,689 | \$ 18,452 |

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

| | 2012 | 2011 |
|---|--------|-------|
| Cash flows from operating activities: | | |
| Excess of revenues over expenses | \$ 237 | \$ 45 |
| Items not involving cash: | | |
| Amortization of capital assets | 807 | 812 |
| Amortization of deferred capital contributions | (712) | (570) |
| Accretion of asset retirement obligations | 1 | 1 |
| Retirement allowance expense | 20 | 33 |
| Net change in non-cash operating items (note 14(a)) | (56) | (58) |
| | 297 | 263 |
| Cash flows from investing activities: | | |
| Purchase of capital assets | (94) | (662) |
| Cash flows from financing activities: | | |
| Capital contributions | 94 | 662 |
| Repayment of capital leases | (174) | (223) |
| Retirement allowance benefits paid | (147) | (18) |
| | (227) | 421 |
| Increase (decrease) in cash | (24) | 22 |
| Cash, beginning of year | 41 | 19 |
| Cash, end of year | \$ 17 | \$ 41 |

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

The British Columbia Centre for Disease Control and Prevention Society Branch (the Branch) is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia ("BC"). The Branch is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Cardiac Services British Columbia;
- Children's & Women's Health Centre of British Columbia Branch;
- Emergency and Health Services Commission;
- Forensic Psychiatric Services Commission;
- Health Shared Services BC; and
- Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

Effective April 1, 2011, the operations of the Drug and Poison Information Center ("DPIC") were amalgamated with the operations of the Branch. Comparative information in these financial statements was amended to include the accounts of DPIC. As at March 31, 2011, this resulted in a decrease in net assets of \$132 compared to previously reported amounts.

The Branch was formed for the purpose of detection, prevention, and control of disease in the province of British Columbia and the provision of specialty health support services in the province. Activities of the Branch include ongoing surveillance and analysis of communicable diseases within the province; development of immunization programs and distribution of vaccines and pharmaceuticals; operation of clinics for testing of communicable diseases; provision of diagnostic and consultative services to other health care providers in the province; and provision of training and education to healthcare providers and the public.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

1. Significant accounting policies:

(a) Basis of presentation:

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

(b) Revenue recognition:

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated 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.

(c) Asset and service contributions:

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.

(d) Inventories of materials and supplies:

Inventories, consisting of biological, pharmaceutical, and other materials and supplies are recorded at the lower of weighted average cost and replacement cost.

(e) Capital assets:

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

| | |
|-------------------------------|-------------------------------------|
| Leasehold improvements | Lease term to a maximum of 20 years |
| Building service equipment | 15 - 20 years |
| Equipment | 3 - 20 years |
| Equipment under capital lease | 5 - 7 years |
| Software license fees | 3 - 5 years |
| Vehicles | 4 - 7 years |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance 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 retirement allowance benefits is 10 years (2011 - 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.

(g) Asset retirement obligations:

The Branch 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.

(h) 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 benefits. Actual results could differ from the estimates.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(i) Financial instruments:

The Branch has designated all non-derivative financial assets and liabilities as held-for-trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held-to-maturity.

- The Branch 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.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on 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 de-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are 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 the transaction that received hedge accounting.

The Branch's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Branch 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.

The Branch has elected not to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, *Financial Instruments – Disclosure*, and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(j) Future accounting framework:

Effective April 1, 2012, the Branch will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Branch is reviewing the impact of these changes on the financial statements.

2. Accounts receivable:

| | 2012 | 2011 |
|---|----------|----------|
| Provincial Health Services Authority | \$ 4,208 | \$ 5,806 |
| Patients, clients and agencies | 655 | 585 |
| Ministry of Health | 651 | 324 |
| Federal and provincial sales taxes | 222 | 328 |
| Other health authorities and BC government reporting entities | 14 | 62 |
| Hospital foundations | 8 | - |
| Other | 342 | 390 |
| | 6,100 | 7,495 |
| Less allowance for doubtful accounts | (20) | (35) |
| | \$ 6,080 | \$ 7,460 |

3. Inventories of materials and supplies:

The Branch's inventories of \$29,485 (2011 - \$31,150) are recorded at the lower of weighted average cost and replacement cost and consist of biological, pharmaceutical and other materials and supplies. During the year, \$49,753 (2011 - \$59,267) of inventories were expensed by the Branch.

At March 31, 2012, inventories include \$4,391 of pandemic biologicals inventory which expire between fiscal years 2013 to 2014 and \$18,949 which expire between fiscal years 2015 to 2018.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

4. Capital assets:

| 2012 | Cost | Accumulated amortization | Net book value |
|----------------------------|------------------|-----------------------------|-------------------|
| Building service equipment | \$ 207 | \$ 40 | \$ 167 |
| Leasehold improvements | 8,229 | 2,642 | 5,587 |
| Equipment | 7,565 | 6,279 | 1,286 |
| Equipment in progress | 91 | - | 91 |
| Software license fees | 8 | 1 | 7 |
| Vehicles | 99 | 66 | 33 |
| | <u>\$ 16,199</u> | <u>\$ 9,028</u> | <u>\$ 7,171</u> |

| 2011 | Cost | Accumulated amortization | Net book value |
|-------------------------------|------------------|-----------------------------|-------------------|
| Building service equipment | \$ 105 | \$ 31 | \$ 74 |
| Construction in progress | 95 | - | 95 |
| Leasehold improvements | 8,229 | 2,333 | 5,896 |
| Equipment | 6,468 | 4,827 | 1,641 |
| Equipment under capital lease | 1,076 | 983 | 93 |
| Equipment in progress | 70 | - | 70 |
| Vehicles | 102 | 87 | 15 |
| | <u>\$ 16,145</u> | <u>\$ 8,261</u> | <u>\$ 7,884</u> |

5. Accounts payable and accrued liabilities:

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Trade accounts payable and accrued liabilities | \$ 4,286 | \$ 6,325 |
| Salaries and benefits payable | 1,744 | 1,534 |
| Accrued vacation pay | 1,036 | 801 |
| | <u>\$ 7,066</u> | <u>\$ 8,660</u> |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

6. Deferred operating contributions:

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

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Deferred operating contributions, beginning of year | \$ 6,608 | \$ 19,332 |
| Less amount recognized as revenue in the year | (1,910) | (12,921) |
| Add amount received for future periods | - | 197 |
| Deferred operating contributions, end of year | \$ 4,698 | \$ 6,608 |

7. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent contributions for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when the related expenses are incurred.

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Deferred contributions for designated purposes, beginning of year | \$ 3,396 | \$ 3,287 |
| Less amount recognized as revenue in the year | (3,417) | (2,620) |
| Add amount received for future periods | 4,206 | 2,729 |
| Deferred contributions for designated purposes, end of year | \$ 4,185 | \$ 3,396 |

8. Obligations under capital leases:

The Branch leased equipment over terms which expired in fiscal year 2012.

9. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

9. Employee benefits (continued):

(a) Retirement allowance (continued):

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2009 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2012 are derived, and an extrapolation of the valuation performed as at December 31, 2009, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

Information about retirement allowance benefits is as follows:

| | 2012 | 2011 |
|---|----------|----------|
| Accrued benefit obligation: | | |
| Sick leave benefits | \$ 232 | \$ 243 |
| Severance benefits | 411 | 442 |
| Total unfunded obligation | 643 | 685 |
| Balance of unamortized amounts | 690 | 775 |
| Accrued retirement allowance benefits | 1,333 | 1,460 |
| Current portion | 43 | 165 |
| Long-term portion | \$ 1,290 | \$ 1,295 |
| Retirement allowance expense | \$ 34 | \$ 33 |
| Transfer of employees to other health authorities | (14) | - |
| Net retirement allowance expense | \$ 20 | \$ 33 |
| Benefits paid | 147 | 18 |

During the year ended March 31, 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

9. Employee benefits (continued):

(a) Retirement allowance (continued):

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

| | 2012 | 2011 |
|--|-------|-------|
| Accrued benefit obligation as at March 31: | | |
| Discount rate | 4.30% | 5.25% |
| Rate of compensation increase | 2.50% | 2.50% |
| Benefit costs for years ended March 31: | | |
| Discount rate | 5.25% | 6.25% |
| Rate of compensation increase | 2.50% | 2.50% |

(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 Branch and other provincially-funded organizations.

(i) Long-term disability benefits:

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The assets and liabilities for these long-term disability benefits have been segregated for PHSA, but not for the individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2011 indicated a surplus of \$36 (December 31, 2010 - liability of \$8,342). Contributions of \$254 (2011 - \$237) were expensed during the year. The PHSA plan covers approximately 7,579 active employees of which approximately 218 are employees of the Branch. The next required valuation will be as of December 31, 2012.

(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 \$372 (2011 - \$371) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2011 indicated a surplus of \$30,853 (December 31, 2010 - \$17,300). The plan covers approximately 86,000 active employees of which 193 are employees of the Branch. The next required valuation will be as of December 31, 2012.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

9. Employee benefits (continued):

(c) Employee pension benefits:

The Branch 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 \$1,469 (2011 - \$1,163) 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 valuation as at December 31, 2009 indicated an unfunded liability of \$1,024,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 173,000 active members of which 222 are employees of the Branch. The next required valuation will be as at December 31, 2012 with results available in 2013.

Employer contributions to the Public Service Pension Plan of \$555 (2011 - \$629) 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, 2011 indicated an unfunded liability of \$275,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 57,000 active members of which 23 are employees of the Branch. The next valuation will be as at March 31, 2014 with results available in 2015.

10. 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.

| | 2012 | 2011 |
|---|----------|----------|
| Deferred capital contributions, beginning of year | \$ 7,785 | \$ 7,693 |
| Provincial Health Services Authority | 68 | 662 |
| Foundations | 26 | - |
| | 94 | 662 |
| Less amortization for the year | (712) | (570) |
| Deferred capital contributions, end of year | \$ 7,167 | \$ 7,785 |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

10. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Contributions used to purchase capital assets | \$ 7,088 | \$ 7,705 |
| Unspent contributions | 79 | 80 |
| | <u>\$ 7,167</u> | <u>\$ 7,785</u> |

11. Invested in capital assets:

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

| | 2012 | 2011 |
|----------------------------------|----------------|----------------|
| Capital assets | \$ 7,171 | \$ 7,884 |
| Amounts financed by: | | |
| Deferred capital contributions | (7,088) | (7,705) |
| Obligations under capital leases | - | (174) |
| | <u>(7,088)</u> | <u>(7,879)</u> |
| | <u>\$ 83</u> | <u>\$ 5</u> |

(b) Deficiency of revenue over expenses:

| | 2012 | 2011 |
|--|----------------|-----------------|
| Amortization of deferred capital contributions | \$ 712 | \$ 570 |
| Amortization of capital assets | (807) | (812) |
| | <u>\$ (95)</u> | <u>\$ (242)</u> |

(c) Transfer to invested in capital assets:

| | 2012 | 2011 |
|--|---------------|---------------|
| Purchase of capital assets | \$ 94 | \$ 662 |
| Amounts funded by: | | |
| Deferred capital contributions | (95) | (650) |
| Principal payments of obligations under capital leases | 174 | 223 |
| | <u>\$ 173</u> | <u>\$ 235</u> |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

12. Commitments and contingencies:

(a) Operating leases:

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

| | | |
|------|----|-------|
| 2013 | \$ | 989 |
| 2014 | | 111 |
| 2015 | | 40 |
| 2016 | | 2 |
| | \$ | 1,142 |

The Branch leases land and buildings through an operating lease with Shared Services BC ("SSBC") of the Ministry of Labour, Citizens' Services and Open Government. Lease payments shown are for base rent. The terms and conditions are negotiated annually. Included in the above is \$867 for lease payments to SSBC for the year ending March 31, 2013.

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2012, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch'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 Branch of the Ministry of Finance.

(d) Asset retirement obligations:

The Branch has accrued asset retirement obligations of \$28 (2011 - \$27) representing the fair value of the legal obligations related to leased premises after charges for accretion and amortization. The settlement of these obligations will occur at the expiry of the leases. The fair value of the legal obligation was determined by discounting the estimated cash outflows of \$31 (2011 - \$31) over the respective lease terms at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.00% for new obligations (2011 - 4.81%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

13. Statement of operations:

(a) Other contributions:

| | 2012 | 2011 |
|--------------------|-----------------|-----------------|
| Federal government | \$ 1,909 | \$ 7,186 |
| Foundation | 18 | - |
| | <u>\$ 1,927</u> | <u>\$ 7,186</u> |

(b) Other revenues:

| | 2012 | 2011 |
|--|---------------|-----------------|
| Recoveries from sales of goods and services | \$ 468 | \$ 962 |
| Recoveries from other health authorities and BC government reporting entities | 371 | 581 |
| Parking | 146 | 135 |
| Recoveries within PHSA | - | 20 |
| Other | - | 42 |
| | <u>\$ 985</u> | <u>\$ 1,740</u> |

(c) Patients, clients, and residents revenue:

| | 2012 | 2011 |
|--------------------|---------------|---------------|
| Federal government | \$ 357 | \$ 579 |
| Other | 2 | 18 |
| | <u>\$ 359</u> | <u>\$ 597</u> |

(d) Referred out and contracted services:

| | 2012 | 2011 |
|--|-----------------|-----------------|
| Private contractors | \$ 3,025 | \$ 4,884 |
| Other health authorities and BC government reporting entities | 590 | 880 |
| | <u>\$ 3,615</u> | <u>\$ 5,764</u> |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

13. Statement of operations (continued):

(e) Supplies:

| | 2012 | 2011 |
|---------------------------------|------------------|------------------|
| Drugs and medical gases | \$ 42,439 | \$ 52,636 |
| Diagnostic | 7,367 | 6,846 |
| Medical and surgical | 1,865 | 1,908 |
| Printing, stationery and office | 202 | 233 |
| Housekeeping | 32 | 34 |
| Laundry and linen | 30 | 25 |
| Food and dietary | 20 | 15 |
| Other | 200 | 203 |
| | \$ 52,155 | \$ 61,900 |

(f) Sundry:

| | 2012 | 2011 |
|-----------------------------------|-----------------|-----------------|
| Professional fees | \$ 1,364 | \$ 206 |
| Travel | 330 | 283 |
| Communication and data processing | 126 | 249 |
| Other | 1,912 | 1,694 |
| | \$ 3,732 | \$ 2,432 |

14. Statement of cash flows:

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

| | 2012 | 2011 |
|--|----------------|----------------|
| Net change in non-cash operating items: | | |
| Accounts receivable | \$ 1,380 | \$ 4,650 |
| Inventories of materials and supplies | 1,665 | 11,091 |
| Prepaid expenses | (386) | (22) |
| Accounts payable and accrued liabilities | (1,594) | (3,162) |
| Deferred operating contributions | (1,910) | (12,724) |
| Deferred contributions for designated purposes | 789 | 109 |
| | \$ (56) | \$ (58) |

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

14. Statement of cash flows (continued):

(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.

| | 2012 | 2011 |
|---|-------|--------|
| Purchase of capital assets (note 11(c)) | \$ 94 | \$ 662 |
| Supplementary information: | | |
| Cash paid for interest on capital leases | \$ 3 | \$ 16 |
| Non-cash transactions: | | |
| Additions to asset retirement obligations | 1 | - |

15. Related entity:

(a) Foundations and auxiliaries:

The Branch has an economic interest in the BCCDC Foundation for Population and Public Health (the "Foundation") which is responsible for fundraising activities of the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of *the Income Tax Act of Canada*.

The net assets and results from operations of the Foundation are not included in the financial statements of the Branch. At March 31, 2012, the Foundation held net assets of \$1,932 (2011 - \$2,595) to be used for activities relating to the prevention, detection and control of infectious diseases and environmental hazards.

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2012, expenses include \$183 (2011 - \$2,120) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2012

16. Capital management:

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

The Branch'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 Branch manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

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

17. Comparative figures:

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