

Financial Statements of

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

Year ended March 31, 2014



June 26, 2014

Independent Auditor's 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, 2014 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation 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 is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2014 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter

Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 16 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

As at March 31, 2014

	2014	2013
Financial assets		
Cash and cash equivalents	\$ 9	\$ 144
Accounts receivable (note 2)	11,954	8,332
	11,963	8,476
Liabilities		
Accounts payable and accrued liabilities (note 3)	8,483	8,331
Deferred operating contributions (note 4)	3,724	4,698
Deferred research and designated contributions (note 5)	5,491	4,485
Asset retirement obligations	21	31
Retirement allowance (note 6(a))	997	685
Deferred capital contributions (note 7)	7,034	7,139
	25,750	25,369
Net debt	\$ (13,787)	\$ (16,893)
Non-financial assets		
Tangible capital assets (note 8)	\$ 7,034	\$ 7,144
Inventories held for use (note 9)	25,814	28,989
Prepaid expenses	343	93
	33,191	36,226
Accumulated surplus	\$ 19,404	\$ 19,333

Commitments and contingencies (note 10)

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 and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014 Budget (note 1(j))	2014	2013
Revenues:			
Provincial Health Services			
Authority contributions	\$ 85,153	\$ 95,431	\$ 92,821
Research and designated			
contributions (note 5)	3,400	4,562	3,685
Recoveries from other health authorities			
and BC government reporting entities	331	1,972	531
Medical Services Plan	940	1,226	1,508
Other contributions (note 11(a))	3,853	1,110	-
Other (note 11(b))	816	1,055	650
Amortization of deferred capital			
contributions (note 7)	668	728	732
Patients, clients and residents (note 11(c))	359	375	628
Pharmacare	674	-	-
	<u>96,194</u>	<u>106,459</u>	<u>100,555</u>
Expenses (note 11(d)):			
Population health and wellness	92,149	100,122	95,566
Mental health and substance use	1,882	4,022	2,508
Acute	1,973	2,067	2,302
Corporate	190	177	259
	<u>96,194</u>	<u>106,388</u>	<u>100,635</u>
Annual surplus (deficit)	\$ -	\$ 71	\$ (80)
Accumulated surplus, beginning of year	19,333	19,333	19,413
Accumulated surplus, end of year	\$ 19,333	\$ 19,404	\$ 19,333

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

Year ended March 31, 2014

	2014 Budget (note 12)	2014	2013
Annual surplus (deficit)	\$ -	\$ 71	\$ (80)
Acquisition of tangible capital assets	(786)	(623)	(705)
Asset retirement obligations	-	2	(2)
Amortization of tangible capital assets	670	731	734
	(116)	181	(53)
Acquisition of inventories held for use	-	(42,998)	(45,755)
Acquisition of prepaid expenses	-	(4,431)	(4,016)
Consumption of inventories held for use	-	47,855	46,251
Use of prepaid expenses	-	4,181	4,336
Transfer of inventories held for use from other Agencies	-	(3,092)	-
Write-off of inventories held for use	-	1,410	-
	-	2,925	816
(Increase) decrease in net debt	(116)	3,106	763
Net debt, beginning of year	(16,893)	(16,893)	(17,656)
Net debt, end of year	\$ (17,009)	\$ (13,787)	\$ (16,893)

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities:		
Annual surplus (deficit)	\$ 71	\$ (80)
Items not involving cash:		
Amortization of deferred capital contributions	(728)	(732)
Accretion of asset retirement obligations	-	1
Reduction in asset retirement obligations	(8)	-
Amortization of tangible capital assets	731	734
Write-off of inventories held for use	1,410	-
Retirement allowance expense	375	165
	1,851	88
Net change in non-cash operating items (note 12(a))	(1,923)	128
Net change in cash from operating activities	(72)	216
Capital activities:		
Acquisition of tangible capital assets	(623)	(705)
Net change in cash from capital activities	(623)	(705)
Financing activities:		
Retirement allowance benefits paid	(63)	(88)
Capital contributions	623	704
Net change in cash from financing activities	560	616
(Decrease) increase in cash and cash equivalents	(135)	127
Cash and cash equivalents, beginning of year	144	17
Cash and cash equivalents, end of year	\$ 9	\$ 144

Supplementary cash flow information (note 12)

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

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 (the “Ministry”) and is one of six health authorities in British Columbia (“BC”). The Branch is dependent on the Ministry 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* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as “Agencies”) are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Emergency Health Services Corporation;
- 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;
- Forensic Psychiatric Services Commission; and
- Health Shared Services BC.

Effective December 31, 2001, the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation 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.

The Branch was formed for the purpose of detection, prevention, and control of disease in the Province of BC and the provision of specialty health support services in the Province of BC. Activities of the Branch include ongoing surveillance and analysis of communicable diseases within the Province of BC; 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 of BC; 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

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the “framework”).

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards (“PSAS”) issued by the Public Sector Accounting Board (“PSAB”) without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Branch.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 16.

The Branch has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the financial statements do not include the assets, liabilities, and results of operations of these entities (see note 13).

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Employee benefits:

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

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefit plans as employees render services to earn the benefits.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

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

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 - 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability benefits are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(e) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

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

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Branch's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses:

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

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(f) Revenue recognition:

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

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

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

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

(g) 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.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, contingent liabilities and the future costs to settle employee benefit obligations.

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

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

1. Significant accounting policies (continued):

(h) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(i) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

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

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2013/2014 Budget approved by the Board of Directors on August 21, 2013. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

2. Accounts receivable:

	2014	2013
Provincial Health Services Authority	\$ 7,936	\$ 4,956
Patients, clients and residents	2,941	1,904
Medical Services Plan	371	484
Other health authorities and BC government reporting entities	66	98
Federal government	81	342
Other grantors	19	-
Other	540	568
	11,954	8,352
Allowance for doubtful accounts	-	(20)
	\$ 11,954	\$ 8,332

3. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accrued liabilities	\$ 5,320	\$ 4,803
Salaries and benefits payable	1,918	2,392
Accrued vacation pay	1,245	1,136
	\$ 8,483	\$ 8,331

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

4. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry and the federal government in the form of externally restricted operating funding received for the purpose of the pandemic drug inventory initiative.

	2014	2013
Deferred operating contributions, beginning of year	\$ 4,698	\$ 4,698
Amounts recognized as revenue in the year	(974)	-
Deferred operating contributions, end of year	\$ 3,724	\$ 4,698

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Public Health Agency of Canada, Health Canada, pharmaceutical companies, foundations and other donors, for various research projects in the field of prevention, health promotion and other special purpose initiatives.

	2014	2013
Deferred research and designated contributions, beginning of year	\$ 3,742	\$ 3,264
Contributions received during the year	5,571	3,778
Amounts recognized as revenue in the year	(4,143)	(3,300)
Deferred research and designated contributions, end of year	\$ 5,170	\$ 3,742

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

5. Deferred research and designated contributions (continued):

Other contributions	2014	2013
Deferred research and designated contributions, beginning of year	\$ 743	\$ 921
Contributions received during the year	139	220
Amounts transferred to deferred capital contributions	(161)	(13)
Amounts recognized as revenue in the year	(419)	(385)
Amounts to be received in future periods	19	-
Deferred research and designated contributions, end of year	\$ 321	\$ 743
	2014	2013
Government transfers	\$ 5,170	\$ 3,742
Other contributions	321	743
Balance, end of year	\$ 5,491	\$ 4,485

6. Employee benefits:

(a) Retirement allowance:

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

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2014 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2014 are derived. The next expected valuation will be as of December 31, 2015.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

6. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2014		2013
Accrued benefit obligation:			
Severance benefits	\$ 615	\$	456
Sick leave benefits	531		366
	1,146		822
Unamortized actuarial loss	(149)		(137)
Accrued benefit obligation	\$ 997	\$	685

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

	2014		2013
Accrued benefit obligation, beginning of year	\$ 685	\$	608
Net benefit expense:			
Current service cost	145		108
Interest expense	47		34
Amortization of actuarial loss	15		12
Plan amendment	-		11
Net benefit expense	207		165
Benefits paid	(63)		(88)
Transfer of employees from other Agencies	168		-
Accrued benefit obligation, end of year	\$ 997	\$	685

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

6. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, 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 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, 2013 indicated a surplus of \$20,299 (December 31, 2012 – \$7,774). Contributions of \$318 (2013 – \$269) were expensed during the year. The PHSA plan covers approximately 9,000 active employees, of which approximately 200 are employees of the Branch. The next expected valuation will be as of December 31, 2014.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

6. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(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 \$375 (2013 – \$367) were expensed during the year. The most recent actuarial valuation at December 31, 2013 indicated a surplus of \$62,476 (December 31, 2012 – \$62,476). The plan covers approximately 90,000 active members, of which approximately 130 are employees of the Branch. The next expected actuarial valuation will be as of December 31, 2014.

(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 \$1,852 (2013 – \$1,537) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately \$1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 230 are employees of the Branch (2013 – 230). The next expected valuation will be as of December 31, 2015.

Employer contributions to the Public Service Pension Plan of \$484 (2013 – \$487) 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 approximately \$226,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which approximately 20 are employees of the Branch (2013 – 20). The next actuarial valuation was as of March 31, 2014. The results of this valuation are not yet available.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

7. Deferred capital contributions:

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

	2014	2013
Deferred capital contributions, beginning of year	\$ 7,139	\$ 7,167
Capital contributions received:		
Ministry of Health	462	691
Foundations and auxiliaries	13	13
Other	148	-
	623	704
Amortization for the year	(728)	(732)
Deferred capital contributions, end of year	\$ 7,034	\$ 7,139

There were no unspent deferred capital contributions as at March 31, 2014 and 2013.

8. Tangible capital assets:

Cost	2013	Additions	Disposals	Transfers	2014
Buildings	\$ 207	\$ -	\$ -	\$ 774	\$ 981
Equipment	5,857	14	(39)	(105)	5,727
Information systems	1,138	-	-	147	1,285
Leasehold improvements	8,431	-	(3)	6	8,434
Vehicles	99	-	-	-	99
Construction in progress	445	387	-	(780)	52
Equipment and information systems in progress	88	222	-	(147)	163
Total	\$ 16,265	\$ 623	\$ (42)	\$ (105)	\$ 16,741

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets (continued):

Accumulated amortization	2013	Amortization	Disposals	Transfers	2014
Buildings	\$ 53	\$ 45	\$ -	\$ -	\$ 98
Equipment	5,097	140	(39)	(105)	5,093
Information systems	936	189	-	-	1,125
Leasehold improvements	2,954	351	(1)	-	3,304
Vehicles	81	6	-	-	87
Total	\$ 9,121	\$ 731	\$ (40)	\$ (105)	\$ 9,707

Cost	2012	Additions	Disposals	Transfers	2013
Buildings	\$ 207	\$ -	\$ -	\$ -	\$ 207
Equipment	5,900	13	(56)	-	5,857
Information systems	1,673	-	(585)	50	1,138
Leasehold improvements	8,229	3	-	199	8,431
Vehicles	99	-	-	-	99
Construction in progress	-	644	-	(199)	445
Equipment and information systems in progress	91	47	-	(50)	88
Total	\$ 16,199	\$ 707	\$ (641)	\$ -	\$ 16,265

Accumulated amortization	2012	Amortization	Disposals	2013
Buildings	\$ 40	\$ 13	\$ -	\$ 53
Equipment	4,952	201	(56)	5,097
Information systems	1,328	193	(585)	936
Leasehold improvements	2,642	312	-	2,954
Vehicles	66	15	-	81
Total	\$ 9,028	\$ 734	\$ (641)	\$ 9,121

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets (continued):

Net book value	2014	2013
Buildings	\$ 883	\$ 154
Equipment	634	760
Information systems	160	202
Leasehold improvements	5,130	5,477
Vehicles	12	18
Construction in progress	52	445
Equipment and information systems in progress	163	88
Total	\$ 7,034	\$ 7,144

Tangible capital assets are funded as follows:

	2014	2013
Deferred capital contributions	\$ 7,034	\$ 7,139
Internally funded	-	5
Tangible capital assets	\$ 7,034	\$ 7,144

9. Inventories held for use:

	2014	2013
Medical supplies	\$ 25,523	\$ 28,797
Pharmaceuticals	291	192
	\$ 25,814	\$ 28,989

At March 31, 2014, inventories held for use include \$5,514 of pandemic biologicals inventory which expire in fiscal year 2016 and \$16,349 which expire in fiscal year 2017.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

10. Commitments and contingencies:

(a) Contractual obligations:

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

	Contract term		2015
Other	2011-2015	\$	108
		\$	108

(b) Operating leases:

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

2015	\$	1,331
2016		241
2017		42
2018		15
	\$	1,629

(c) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Branch's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2014, management is of the opinion that the Branch 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.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

11. Statement of operations:

(a) Other contributions:

	2014	2013
Federal government	\$ 136	\$ -
Other	974	-
	\$ 1,110	\$ -

(b) Other revenues:

	2014	2013
Recoveries from sales of goods and services	\$ 887	\$ 519
Parking	140	122
Other	28	9
	\$ 1,055	\$ 650

(c) Patients, clients and residents:

	2014	2013
Federal government	\$ 375	\$ 626
Other	-	2
	\$ 375	\$ 628

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

11. Statement of operations (continued):

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

	2014	2013
Supplies:		
Drugs and medical gases	\$ 40,680	\$ 38,561
Diagnostic	8,127	7,680
Medical and surgical	4,135	2,551
Printing, stationery and office	195	185
Housekeeping	32	28
Laundry and linen	31	30
Food and dietary	11	18
Other	249	352
	<u>53,460</u>	<u>49,405</u>
Compensation:		
Compensation	29,807	29,979
Employee benefits	5,840	5,500
	<u>35,647</u>	<u>34,479</u>
Equipment and building services:		
Rent	4,127	3,800
Equipment	1,152	820
Building and grounds service contracts	432	472
Plant operations (utilities)	17	26
	<u>5,728</u>	<u>5,118</u>
Research and designated expenses	4,231	3,685
Sundry:		
Professional fees	1,518	997
Travel	282	368
Communication and data processing	143	132
Patient transport	3	-
Other	1,647	2,246
	<u>3,593</u>	<u>3,743</u>
Referred-out and contracted services:		
Health and support services providers	2,310	2,889
Other health authorities and BC government reporting entities	688	581
	<u>2,998</u>	<u>3,470</u>
Amortization of tangible capital assets	731	734
Accretion of asset retirement obligations	-	1
	<u>\$ 106,388</u>	<u>\$ 100,635</u>

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

12. Supplementary cash flow information:

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

	2014	2013
Accounts receivable	\$ (3,622)	\$ (2,252)
Accounts payable and accrued liabilities	152	1,264
Deferred operating contributions	(974)	-
Deferred research and designated contributions	1,006	300
Inventories held for use	1,765	496
Prepaid expenses	(250)	320
	\$ (1,923)	\$ 128

13. Related entities:

(a) Foundations and auxiliaries:

The Branch has economic relationships with the British Columbia Centre for Disease Control 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* with separate governance structures and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the financial statements of the Branch.

During 2014 and 2013, the Branch did not receive contributions from the Foundation.

(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, 2014, expenses include \$197 (2013 – \$394) 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

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

14. Risk management:

The Branch is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

(a) Credit risk:

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

The Branch manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institution. The Branch periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Branch periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. At March 31, the following accounts receivable were past due but not impaired:

	2014	2013
30 days	\$ 4	\$ 418
60 days	10	5
90 days	13	-
Over 120 days	-	-

(b) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due. It is the Branch's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Branch's principal source of funding is from the Ministry. 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 or grant documentation. The Branch has complied with the external restrictions on the funding provided.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

14. Risk management (continued):

(b) Liquidity risk (continued):

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

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 9	\$ -	\$ -	\$ 9
Accounts receivable	11,954	-	-	11,954
Total financial assets	\$ 11,963	\$ -	\$ -	\$ 11,963

2014 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 7,989	\$ 88	\$ 406	\$ 8,483
Total financial liabilities	\$ 7,989	\$ 88	\$ 406	\$ 8,483

2013 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 144	\$ -	\$ -	\$ 144
Accounts receivable	8,332	-	-	8,332
Total financial assets	\$ 8,476	\$ -	\$ -	\$ 8,476

2013 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 7,815	\$ 88	\$ 428	\$ 8,331
Total financial liabilities	\$ 7,815	\$ 88	\$ 428	\$ 8,331

15. Comparative figures:

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

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2014

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

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

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

As at March 31, 2012		
Increase in accumulated surplus	\$	7,088
Decrease in deferred capital contributions		(7,088)
For the year ended March 31, 2013		
Increase in annual surplus		51
As at March 31, 2013		
Increase in accumulated surplus		7,139
Decrease in deferred capital contributions		(7,139)
For the year ended March 31, 2014		
Decrease in annual surplus		(105)
As at March 31, 2014		
Increase in accumulated surplus		7,034
Decrease in deferred capital contributions		(7,034)
