

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA TRANSPLANT
SOCIETY BRANCH**

Years ended March 31, 2005 and 2004



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

We have audited the statement of financial position of British Columbia Transplant Society Branch as at March 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Branch as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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 year.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 6, 2005

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 1,547	\$ 111
Short-term investments (note 3)	3,244	4,348
Accounts receivable (note 4)	1,581	2,583
Prepaid expenses	3	8
	<u>6,375</u>	<u>7,050</u>
Capital assets, net (note 5)	259	400
	<u>\$ 6,634</u>	<u>\$ 7,450</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 4,800	\$ 6,042
Deferred contributions for designated purposes (note 7)	625	877
Current portion of long-term obligation (note 8)	4	3
	<u>5,429</u>	<u>6,922</u>
Accrued sick and severance liabilities (note 9 (a))	97	-
Long-term obligation (note 8)	4	8
Deferred capital contributions (note 10)	211	223
	<u>5,741</u>	<u>7,153</u>
Net assets:		
Invested in capital assets (note 11(a))	40	166
Unrestricted	853	131
	<u>893</u>	<u>297</u>
	<u>\$ 6,634</u>	<u>\$ 7,450</u>

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 TRANSPLANT SOCIETY BRANCH

Statements of Operations

(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
Revenue:		
Provincial Health Services Authority operating grants	\$ 32,599	\$ 30,429
Medical Services Commission	751	1,088
Investment income	-	125
Other	115	266
<u>Contributions for designated purposes</u>	<u>697</u>	<u>647</u>
	34,162	32,555
Expenses:		
Compensation and benefits	6,747	7,022
Supplies	15,932	14,920
Sundry	1,214	1,371
Equipment and building services	66	115
Referred-out/contracted services	8,876	8,862
<u>Expenses for designated purposes</u>	<u>697</u>	<u>647</u>
	33,532	32,937
Excess (deficiency) of revenue over expenses before amounts related to capital assets	630	(382)
Amounts related to capital assets:		
Amortization of deferred capital contributions	37	26
<u>Amortization of capital assets</u>	<u>(71)</u>	<u>(93)</u>
	(34)	(67)
Excess (deficiency) of revenue over expenses	\$ 596	\$ (449)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statements of Changes in Net Assets
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	Invested in capital assets	Unrestricted	Total	
			2005	2004
Balance, beginning of year	\$ 166	\$ 131	\$ 297	\$ 746
Excess (deficiency) of revenue over expenses	(34)	630	596	(449)
Net change in capital assets (note 11(c))	(92)	92	-	-
Balance, end of year	\$ 40	\$ 853	\$ 893	\$ 297

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statements of Cash Flows (Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 596	\$ (449)
Items not involving cash:		
Amortization of capital assets	71	93
Amortization of deferred capital contributions	(37)	(26)
	630	(382)
Changes in non-cash operating items (note 13)	(390)	(2,846)
	240	(3,228)
Investments:		
Purchase of capital assets	(25)	(2)
Net proceeds from sale (purchase) of short-term investments	1,104	(164)
Net book value of capital assets transferred to PHSA	95	-
	1,174	(166)
Financing:		
Additions of deferred capital contributions	25	16
Repayment of long-term obligation	(3)	(3)
	22	13
Increase (decrease) in cash	1,436	(3,381)
Cash, beginning of year	111	3,492
Cash, end of year	\$ 1,547	\$ 111

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

1. Operations:

British Columbia Transplant Society Branch (the "Branch") is a member of the Provincial Health Service Authority ("PHSA") which was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province-wide health care programs and services. PHSA also includes the following members:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- Children's & Women's Health Centre of British Columbia Branch;
- Forensic Psychiatric Services Commission; and
- Red Cross Outpost Hospitals

Effective December 31, 2001, the above noted branch societies 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 planning, coordinating, managing and publicizing the human organ donor activities in British Columbia. The Branch also acts as the custodian of funds received from various private agencies for research and other related projects.

The Branch is exempt from federal and provincial income and capital taxes.

The Branch is dependent on the Ministry of Health Services, through the Provincial Health Services Authority, to provide sufficient funding to continue operations, replace equipment and complete capital projects.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. A significant area requiring the use of management estimates is the determination of useful lives of capital assets. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued):

(b) Revenue recognition:

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

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not yet received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year.

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 year in which the related expenses are incurred. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

(c) Short-term investments:

Short-term investments are recorded at the lower of cost and market value.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the assets' estimated useful lives at the following rates:

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 10 years

(e) Employee future benefits:

Liabilities are recorded for employee sick and severance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations for employee sick and severance benefits 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). 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 is 10 years (2004 - 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 multiemployer defined benefit plans and, accordingly, contributions are expensed.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued):

(f) Financial instruments:

The Branch's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities and the long-term obligation. It is management's opinion that the Branch is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

(g) Asset retirement obligations:

Effective April 1, 2004, the Branch adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations." This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Branch has determined that there are no significant asset retirement obligations with its assets.

(h) Certain comparative figures have been reclassified to conform with classifications adopted in the current year.

3. Short-term investments:

The carrying value of the short-term investments is \$3,244 (2004 - \$4,348). These investments have a market value at March 31, 2005 of \$3,541 (2004 - \$4,682).

4. Accounts receivable:

	2005	2004
Provincial Health Services Authority	\$ 611	\$ 1,764
Medical Services Commission	579	434
Other	391	385
	\$ 1,581	\$ 2,583

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

5. Capital assets:

2005	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 558	\$ 362	\$ 196
Equipment	289	226	63
	\$ 847	\$ 588	\$ 259

2004	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 558	\$ 300	\$ 258
Equipment	661	519	142
	\$ 1,219	\$ 819	\$ 400

6. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable and accrued liabilities	\$ 4,346	\$ 5,558
Accrued salaries and benefits payable	237	206
Accrued vacation payable	137	103
Current portion of accrued sick and severance liabilities	2	-
Medical Services Commission	78	175
	\$ 4,800	\$ 6,042

7. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations received for specific research projects. These deferred contributions will be recorded as revenue in the statement of operations when they are spent.

	2005	2004
Balance, beginning of year	\$ 877	\$ 723
Amount received for designated purposes	445	801
Amount recognized as revenue	(697)	(647)
Balance, end of year	\$ 625	\$ 877

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2005 and 2004

8. Long-term obligation:

The long-term obligation of \$8 (2004 - \$11) consists of an unsecured loan bearing interest at 10.285% per annum and repayable in monthly installments of interest and principal until March 2007.

9. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with ten 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 Branch's liabilities are based on an actuarial valuation as at December 31, 2003, updated to March 31, 2005. The next required valuation will be as of December 31, 2006.

Information about employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 33	\$ -
Severance benefits	66	-
Total unfunded obligation	99	-
Balance of unamortized amounts	-	-
Accrued sick and severance liabilities	\$ 99	\$ -
Sick and severance plan expense	\$ 99	\$ -
Benefit paid	-	-

The current portion of accrued sick and severance liabilities of \$2 (2004 - nil) is included in accounts payable and accrued liabilities.

During the year certain employees of the Branch were granted entitlement to receive special payments upon retirement, which resulted in an accrual of \$99 to be recorded in the current year.

The significant actuarial assumptions adopted in measuring the Branch's accrued sick and severance liabilities are as follows:

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	-
Rate of compensation increase	3.25%	-
Benefit costs for the year ended March 31:		
Discount rate	5.75%	-
Rate of compensation increase	3.25%	-

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2005 and 2004

9. Employee benefits (continued):

(b) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multiemployer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$148 (2004 - \$158) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789,000. The plan covers approximately 128,000 active employees of which approximately 53 are employees of the Branch. The next required valuation will be as of December 31, 2006.

10. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts and unspent amounts of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2005	2004
Deferred capital contributions, beginning of year	\$ 223	\$ 233
Additional contributions received	25	16
Amount amortized to revenue	(37)	(26)
Deferred capital contributions, end of year	\$ 211	\$ 223

11. Invested in capital assets:

(a) The amount invested in capital assets is calculated as follows:

	2005	2004
Capital assets	\$ 259	\$ 400
Amounts financed by:		
Deferred capital contributions	(211)	(223)
Long-term obligation	(8)	(11)
	\$ 40	\$ 166

(b) The deficiency of revenue over expenses related to capital assets is calculated as follows:

	2005	2004
Amortization of deferred capital contributions	\$ 37	\$ 26
Amortization of capital assets	(71)	(93)
	\$ (34)	\$ (67)

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2005 and 2004

11. Invested in capital assets (continued):

(c) The net change in the amount invested in capital assets for the year is calculated as follows:

	2005	2004
Purchase of capital assets	\$ 25	\$ 2
Net book value of capital assets transferred to PHSA	(95)	-
	(70)	2
Amounts funded by deferred capital contributions	(25)	(16)
Payment of obligation under capital lease	3	3
	(22)	(13)
	\$ (92)	\$ (11)

12. Commitments and contingencies:

(a) Operating lease commitments:

The Branch leases premises and equipment under operating leases. Minimum lease payments over the next five years and in total are as follows:

Year ending March 31,	
2006	\$ 267
2007	264
2008	228
2009	167
2010	-
	\$ 926

(b) Legal contingencies:

The nature of the Branch's activities is such that there is litigation pending or in prospect at any time. With respect to unsettled claims at March 31, 2005, management believes the Branch has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Branch's financial position.

Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2004

13. Supplementary information:

	2005	2004
Changes in non-cash operating items:		
Accounts receivable	\$ 1,002	\$ (2,234)
Prepaid expenses	5	54
Accounts payable and accrued liabilities	(1,242)	(820)
Deferred contributions for designated purposes	(252)	154
Accrued sick and severance liabilities	97	-
	\$ (390)	\$ (2,846)

14. Related entity:

The Branch has an economic interest in the British Columbia Transplant Foundation (the "Foundation"). The Foundation is responsible for fundraising activities of the Branch.

The assets, liabilities, revenue and expenses of the Foundation are not included in the financial statements of the Branch.

As at March 31, 2005, the Foundation held net assets of \$760 (2004 - \$703) to be used for research, patient care, education, and capital expenditures at the Branch.

15. Related party transactions:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by the 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 the other PHSA members listed in note 1:

For the year ended March 31, 2005, expenses include \$869 (2004 - \$785) resulting from transactions with other PHSA members.

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