

Financial Statements  
(Expressed in thousands of dollars)

**BRITISH COLUMBIA TRANSPLANT  
SOCIETY BRANCH**

Year ended March 31, 2007



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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, 2007 and the statements of revenue and expenses, changes in net assets (deficiency) 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

May 4, 2007

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Financial Position  
(Expressed in thousands of dollars)

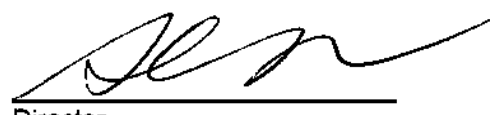
March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
Current assets:		
Cash	\$ 264	\$ 50
Short-term investments (note 3)	-	3,376
Accounts receivable (note 4)	4,488	2,807
Prepaid expenses	39	39
	<u>4,791</u>	<u>6,272</u>
Capital assets, net (notes 5 and 12)	249	266
	<u>\$ 5,040</u>	<u>\$ 6,538</u>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 5,362	\$ 4,441
Deferred contributions for designated purposes (note 7)	471	439
Current portion of long-term loan obligation	-	4
	<u>5,833</u>	<u>4,884</u>
Accrued sick and severance liabilities (note 8 (a))	117	94
Other long-term liabilities (note 12)	138	97
Deferred capital contributions (note 9)	113	119
	<u>6,201</u>	<u>5,194</u>
Net assets (deficiency):		
Invested in capital assets (note 10(a))	136	143
Unrestricted	(1,297)	1,201
	<u>(1,161)</u>	<u>1,344</u>
Commitments and contingencies (note 11)		
	<u>\$ 5,040</u>	<u>\$ 6,538</u>

See accompanying notes to financial statements.

Approved on behalf of the Board

  
\_\_\_\_\_  
Director and Chair of the Board

  
\_\_\_\_\_  
Director

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

## Statement of Revenue and Expenses

(Expressed in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Provincial Health Services Authority operating grants	\$ 35,087	\$ 33,421
Medical Services Commission	1,808	1,015
Other	66	135
Contributions for designated purposes (note 7)	638	551
	<u>37,599</u>	<u>35,122</u>
Expenses:		
Compensation and benefits	8,219	6,668
Supplies	18,396	16,912
Sundry	1,015	1,033
Equipment and building services	532	527
Referred-out/contracted services	11,250	8,982
Accretion of asset retirement obligations	4	-
Expenses for designated purposes (note 7)	638	551
	<u>40,054</u>	<u>34,673</u>
Excess (deficiency) of revenue over expenses before amounts related to capital assets	(2,455)	449
Amounts related to capital assets:		
Amortization of deferred capital contributions	42	92
Amortization of capital assets	(92)	(90)
	<u>(50)</u>	<u>2</u>
Excess (deficiency) of revenue over expenses	<u>\$ (2,505)</u>	<u>\$ 451</u>

See accompanying notes to financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

## Statement of Changes in Net Assets (Deficiency)

(Expressed in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	Invested in capital assets	Unrestricted	Total	
			2007	2006
Balance, beginning of year	\$ 143	\$ 1,201	\$ 1,344	\$ 893
Excess (deficiency) of revenue over expenses	(50)	(2,455)	(2,505)	451
Net change in capital assets (note 10(c))	43	(43)		-
Balance, end of year	\$ 136	\$ (1,297)	\$ (1,161)	\$ 1,344

See accompanying notes to financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

## Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (2,505)	\$ 451
Items not involving cash:		
Amortization of capital assets	92	90
Amortization of deferred capital contributions	(42)	(92)
	(2,455)	449
Changes in non-cash operating items (note 16)	(705)	(1,810)
	(3,160)	(1,361)
Financing:		
Additions of deferred capital contributions	36	-
Additions to other long-term liabilities (note 12)	41	97
Repayment of long-term loan obligation	(4)	(4)
	73	93
Investments:		
Additions to capital assets (notes 10(c) and 12)	(75)	(97)
Net proceeds from sale (purchase) of short-term investments	3,376	(132)
	3,301	(229)
Increase (decrease) in cash	214	(1,497)
Cash, beginning of year	50	1,547
Cash, end of year	\$ 264	\$ 50

See accompanying notes to financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 1. Operations:

The British Columbia Transplant Society Branch (the Branch) is a member of the Provincial Health Services 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. The following members are also included in PHSA:

- 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;
- Women's Health and Research Institute; and
- Red Cross Outpost Hospitals (until December 15, 2005)

Effective December 31, 2001, the above noted branch societies except for the Women's Health and Research Institute 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 and 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. 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.

## 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, fair value of the asset retirement obligation and the estimation of amounts which may become payable to retiring employees. These financial statements do not include the assets, liabilities, revenue and expenses of the Foundation of the Branch (note 14).

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 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 (2006 - 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.



# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

### (f) Asset retirement obligations:

The Branch recognizes an asset retirement obligation liability 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 at the end of each period to reflect the passage of time and changes in the initial fair value assessment of the retirement obligation.

## 3. Short-term investments:

The carrying value of the short-term investments is nil (2006 - \$3,376). As at March 31, 2007 these investments have a market value nil (2006 - \$3,629).

## 4. Accounts receivable:

	2007	2006
Provincial Health Services Authority	\$ 2,938	\$ 1,639
Medical Services Commission	1,207	780
Other	350	403
	4,495	2,822
Allowance for doubtful accounts	(7)	(15)
	\$ 4,488	\$ 2,807

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 5. Capital assets:

2007	Cost	Accumulated amortization	Net book value
Leasehold improvements (note 12)	\$ 693	\$ 518	\$ 175
Equipment	292	218	74
	\$ 985	\$ 736	\$ 249

2006	Cost	Accumulated amortization	Net book value
Leasehold improvements (note 12)	\$ 656	\$ 439	\$ 217
Equipment	254	205	49
	\$ 910	\$ 644	\$ 266

## 6. Accounts payable and accrued liabilities:

	2007	2006
Trade accounts payable and accrued liabilities	\$ 4,927	\$ 3,852
Accrued salaries and benefits payable	259	417
Accrued vacation payable	174	166
Current portion of accrued sick and severance liabilities (note 8(a))	2	6
	\$ 5,362	\$ 4,441

## 7. Deferred contributions for designated purposes:

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

	2007	2006
Balance, beginning of year	\$ 439	\$ 625
Amount received for designated purposes	670	365
Amount recognized as revenue	(638)	(551)
Balance, end of year	\$ 471	\$ 439

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 8. Employee benefits:

### (a) Employee sick and severance benefits:

Certain employees with ten years of service who have 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, 2006. The next required valuation will be as of December 31, 2009.

Information about employee sick and severance benefits is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ -	\$ 38
Severance benefits	111	81
Total unfunded obligation	111	119
Balance of unamortized amounts	8	(19)
Accrued sick and severance liabilities	119	100
Current portion of sick and severance liabilities	2	6
Long-term portion of sick and severance liabilities	\$ 117	\$ 94
Sick and severance plan expense	\$ 19	\$ 17
Benefits paid	-	16

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

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.00%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs for the year ended March 31:		
Discount rate	5.00%	5.50%
Rate of compensation increase	3.25%	3.25%

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 8. Employee benefits (continued):

### (b) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$179 (2006 - \$177) 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, 2003 indicated an unfunded liability of \$789,000 for basic pension benefits. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 140,000 active employees of which approximately 54 are employees of the Branch. The next required valuation will be as of December 31, 2006 with results available in 2007.

## 9. 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 Revenue and Expenses.

	2007	2006
Deferred capital contributions, beginning of year	\$ 119	\$ 211
Additional contributions received	36	-
Amount amortized to revenue	(42)	(92)
Deferred capital contributions, end of year	\$ 113	\$ 119

## 10. Invested in capital assets:

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

	2007	2006
Capital assets	\$ 249	\$ 266
Amounts financed by:		
Deferred capital contributions	(113)	(119)
Long-term loan obligation	-	(4)
	\$ 136	\$ 143

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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

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

	2007	2006
Amortization of deferred capital contributions	\$ 42	\$ 92
Amortization of capital assets	(92)	(90)
	\$ (50)	\$ 2

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

	2007	2006
Purchase of capital assets	\$ 38	\$ -
Asset retirement obligation (note 12)	37	97
	75	97
Amounts funded by deferred capital contributions	(36)	-
Payment of long-term loan obligation	4	4
	(32)	4
	\$ 43	\$ 101

## 11. 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:

2008	\$ 230
2009	167
2010	-
2011	-
2012	-
	\$ 397

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 11. Commitments and contingencies (continued):

### (b) Legal contingencies:

In the ordinary course of the Branch's activities and the nature these activities, there is potential or pending litigation at any given time. As at March 31, 2007, management believes the Branch has valid defenses and appropriate insurance coverage in place for all unsettled claims. Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program. 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.

Specifically, in 2002, unions challenged the constitutionality of the *Health and Social Services Delivery Improvement Act* under which the Branch entered into contracts for services. The challenge was dismissed by the BC Supreme Court and an appeal of that decision was dismissed by the BC Court of Appeal. An appeal of the BC Court of Appeal decision was heard by the Supreme Court of Canada in early 2006 and as of this date, no decision has been rendered by that Court. Management believes that the risk of substantial damages arising from this litigation is relatively minimal and with appropriate specific defenses and insurance coverage, this litigation is not expected to have a material effect on the Branch's financial position.

## 12. Asset retirement obligations:

The Branch has accrued asset retirement obligations of \$138 (2006 - \$97) representing the fair value of the legal obligations related to leased premises. 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 \$185 (2006 - \$139) over the respective lease terms at a credit-adjusted risk free rate of 5.26% (2006 - 4.06%). The asset retirement obligation has been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

## 13. Financial Instruments:

The Branch's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities and other long-term 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, except for the fair value of accrued sick and severance liabilities which is disclosed in note 8(a).

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 14. Related entity:

The Branch has an economic interest in the British Columbia Transplant Foundation (the Foundation) which is responsible for fundraising activities of the Branch. The operations of the Foundation are not included in the financial statements of the Branch.

As at March 31, 2007, the Foundation held net assets of \$832 (2006 - \$783) 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, 2007, expenses include \$995 (2006 - \$1,033) resulting from transactions with other PHSA members.

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

## 16. Cash flow supplemental information:

	2007	2006
Changes in non-cash operating items:		
Accounts receivable	\$ (1,681)	\$ (1,226)
Prepaid expenses	-	(36)
Accounts payable and accrued liabilities	921	(359)
Deferred contributions for designated purposes	32	(186)
Accrued sick and severance liabilities	23	(3)
	\$ (705)	\$ (1,810)

## 17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.