

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA TRANSPLANT
SOCIETY BRANCH**

Year ended March 31, 2008



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AUDITORS' REPORT

To the Board of British Columbia Transplant Society Branch

We have audited the statement of financial position of the British Columbia Transplant Society Branch as at March 31, 2008 and the statement of operations, 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, 2008 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 2, 2008

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH


Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2008, with comparative figures for 2007


	2008	2007
Assets		
Current assets:		
Cash	\$ 51	\$ 264
Accounts receivable (note 3)	2,304	4,488
Prepays	7	39
	<u>2,362</u>	<u>4,791</u>
Capital assets (note 4)	177	249
	<u>\$ 2,539</u>	<u>\$ 5,040</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,581	\$ 5,360
Deferred contributions for designated purposes (note 6)	832	471
Current portion of retirement allowance (note 7(a))	2	2
	<u>6,415</u>	<u>5,833</u>
Retirement allowance (note 7(a))	135	117
Asset retirement obligations (note 10(c))	148	138
Deferred capital contributions (note 8)	71	113
	<u>6,769</u>	<u>6,201</u>
Net assets (deficiency):		
Invested in capital assets (note 9(a))	106	136
Unrestricted	(4,336)	(1,297)
	<u>(4,230)</u>	<u>(1,161)</u>
Commitments and contingencies (note 10)		
	<u>\$ 2,539</u>	<u>\$ 5,040</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 Operations
(Expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenues:		
Provincial Health Services Authority contributions	\$ 34,332	\$ 35,087
Medical Services Plan	4,387	1,808
Other contributions	-	5
Amortization of deferred capital contributions	42	42
Other (note 11)	185	61
Research and designated contributions	321	638
	<u>39,267</u>	<u>37,641</u>
Expenses:		
Compensation and benefits	9,036	8,219
Referred-out and contracted services (note 12)	29,960	28,794
Supplies (note 13)	1,194	852
Depreciation of capital assets	74	92
Equipment and building services	559	532
Sundry (note 14)	1,186	1,015
Accretion of asset retirement obligations (note 10(c))	6	4
Research and designated expenses	321	638
	<u>42,336</u>	<u>40,146</u>
Deficiency of revenues over expenses	\$ (3,069)	\$ (2,505)

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, 2008, with comparative figures for 2007

	Invested in capital assets	Unrestricted	Total	
			2008	2007
Balance, beginning of year	\$ 136	\$ (1,297)	\$ (1,161)	\$ 1,344
Deficiency of revenues over expenses	(32)	(3,037)	(3,069)	(2,505)
Net change in capital assets (note 9(c))	2	(2)	-	-
Balance, end of year	\$ 106	\$ (4,336)	\$ (4,230)	\$ (1,161)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash flows from operating activities:		
Deficiency of revenues over expenses	\$ (3,069)	\$ (2,505)
Items not involving cash:		
Depreciation of capital assets	74	92
Amortization of deferred capital contributions	(42)	(42)
<u>Net change in non-cash operating items (note 15)</u>	<u>2,816</u>	<u>(705)</u>
	(221)	(3,160)
Cash flows from investing activities:		
Net change in short-term investments	-	3,376
<u>Purchase of capital assets (note 9(c))</u>	<u>(2)</u>	<u>(75)</u>
	(2)	3,301
Cash flows from financing activities:		
Capital contributions	-	36
Repayment of long-term loan obligation	-	(4)
<u>Additions to asset retirement obligations (note 10(c))</u>	<u>10</u>	<u>41</u>
	10	73
Increase (decrease) in cash	(213)	214
Cash, beginning of year	264	50
<u>Cash, end of year</u>	<u>\$ 51</u>	<u>\$ 264</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

The British Columbia Transplant Society Branch (the Branch) is a member of the Provincial Health Services Authority (PHSA or the Authority) which was created under the *Health Authorities 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. 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*, 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 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
- Women's Health Research Institute Society.

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. The Branch also acts as the custodian of funds received from various private agencies for research and other related projects.

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 contributions.

Under the *Health 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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Approved operating contributions are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

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.

(c) Asset and service contributions:

Volunteers contribute a significant amount of 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.

(d) 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 depreciation 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
Equipment	3 - 20 years

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Notes to Financial Statements
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Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) 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 (2007 - 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.

(f) 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.

(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. 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 depreciation 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 TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(h) Financial instruments:

During the year, the Branch adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation* to account for its financial assets and financial liabilities. These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price in an active market, which should be measured at cost, other than such instruments that are classified as held-for-trading.

Subsequent measurement and changes in fair value will depend on initial classification. Held for trading assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings. Available for sale investments are measured at fair value with changes in fair value recorded in the statement of changes in net assets until the investment is re-recognized or other than temporarily impaired at which time the amounts would be recorded in net earnings.

These sections also require that gains and losses on financial instruments measured at fair value be recognized in net income in the periods in which they arise, with the exception of (i) unrealized gains and losses on financial assets classified as available-for-sale, which are recognized directly in net assets until the financial asset is derecognized or becomes impaired; and (ii) certain financial instruments that are part of a designated hedging relationship.

The adoption of these sections did not result in an adjustment to opening net assets.

(i) Future accounting changes:

On December 1, 2006, the CICA issued two new accounting standards: Handbook Section 3862, *Financial Instruments – Disclosures* (Section 3862), and Handbook Section 3863, *Financial Instruments – Presentation* (Section 3863). These new standards become effective for the Branch on April 1, 2008.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Branch is currently evaluating the impact of this accounting standard for fiscal year 2009.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

2. Financial Instruments:

The Branch's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, accrued retirement allowance liabilities, and asset retirement obligations. 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 retirement allowance liabilities which are disclosed in note 7.

3. Accounts receivable:

	2008	2007
Provincial Health Services Authority	\$ 847	\$ 2,938
Patients, clients and agencies	-	16
Ministry of Health	1,154	1,207
Goods and services tax	17	22
Other	478	312
	2,496	4,495
Less allowance for doubtful debts	(192)	(7)
	\$ 2,304	\$ 4,488

4. Capital assets:

2008	Cost	Accumulated depreciation	Net book value
Leasehold improvements	\$ 695	\$ 576	\$ 119
Equipment	292	234	58
	\$ 987	\$ 810	\$ 177

2007	Cost	Accumulated depreciation	Net book value
Leasehold improvements	\$ 693	\$ 518	\$ 175
Equipment	292	218	74
	\$ 985	\$ 736	\$ 249

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Notes to Financial Statements
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Year ended March 31, 2008

5. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable and accrued liabilities	\$ 5,100	\$ 4,927
Salaries and benefits payable	303	259
Accrued vacation pay	178	174
	\$ 5,581	\$ 5,360

6. 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.

	2008	2007
Deferred contributions for designated purposes, beginning of year	\$ 471	\$ 439
Less amount recognized as revenue in the year	(321)	(638)
Add amount received for future periods	682	670
Deferred contributions for designated purposes, end of year	\$ 832	\$ 471

7. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the 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.

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Notes to Financial Statements
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Year ended March 31, 2008

7. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ -	\$ -
Severance benefits	120	111
Total unfunded obligation	120	111
Balance of unamortized amounts	17	8
Accrued retirement allowance benefits	137	119
Less current portion	2	2
Long-term portion	\$ 135	\$ 117
Retirement allowance expense	\$ 18	\$ 19
Benefits paid	-	-

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

	2008	2007
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.50%	5.00%
Rate of compensation increase	3.25%	3.25%

(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 \$200 (2007 - \$179) 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, 2006 indicated a surplus of \$438,000 for basic pension benefits. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 145,000 active employees of which approximately 56 are employees of the Branch. The next required valuation will be as of December 31, 2009 with results available in 2010.

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Notes to Financial Statements
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8. 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.

	2008	2007
Deferred capital contributions, beginning of year	\$ 113	\$ 119
Provincial Health Services Authority	-	36
	113	155
Less amortization for the year	(42)	(42)
Deferred capital contributions, end of year	\$ 71	\$ 113

9. Invested in capital assets:

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

	2008	2007
Capital assets	\$ 177	\$ 249
Amounts financed by:		
Deferred capital contributions	(71)	(113)
	\$ 106	\$ 136

(b) Deficiency of revenues over expenses:

	2008	2007
Amortization of deferred capital contributions	\$ 42	\$ 42
Depreciation of capital assets	(74)	(92)
	\$ (32)	\$ (50)

(c) Transfer to Invested in capital assets:

	2008	2007
Purchase of capital assets	\$ -	\$ 38
Asset retirement obligation (note 10(c))	2	37
Amounts funded by:		
Deferred capital contributions	-	(36)
Principal payments of long-term loan	-	4
	\$ 2	\$ 43

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

10. Commitments and contingencies:

(a) Operating leases:

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

2009	\$	203
2010		35
2011		35
2012		35
	\$	308

(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, 2008, 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. Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

(c) Asset retirement obligations:

The Branch has accrued asset retirement obligations of \$148 (2007 - \$138) representing the fair value of the legal obligations related to leased premises after charges for accretion and depreciation. 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 \$191 (2007 - \$185) over the respective lease terms at a credit-adjusted risk free rate of 5.26% (2007 - 5.26%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

11. Other revenue:

	2008	2007
Recoveries from other Health Authorities and government reporting entities	\$ 33	\$ 33
Recoveries from sales of goods and services	58	28
Other	94	-
	\$ 185	\$ 61

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Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

12. Referred out and contracted services:

	2008	2007
Other Health Authorities and government reporting entities	\$ 26,126	\$ 25,244
Private contractors	3,834	3,550
	<u>\$ 29,960</u>	<u>\$ 28,794</u>

13. Supplies:

	2008	2007
Drugs and medical gases	\$ 459	\$ 374
Medical and surgical	551	329
Printing, stationery and office	180	143
Plant operation	3	2
Other	1	4
	<u>\$ 1,194</u>	<u>\$ 852</u>

14. Sundry:

	2008	2007
Communication and data processing	\$ 39	\$ 36
Travel	500	473
Professional fees	43	116
Other	604	390
	<u>\$ 1,186</u>	<u>\$ 1,015</u>

15. Statement of cash flows:

Net change in non-cash operating items:

	2008	2007
Changes to non-cash operating items:		
Accounts receivable	\$ 2,184	\$ (1,681)
Prepaid expenses	32	-
Accounts payable and accrued liabilities	221	921
Deferred contributions for designated purposes	361	32
Retirement allowance	18	23
	<u>\$ 2,816</u>	<u>\$ (705)</u>

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2008

16. 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 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, 2008, the foundation held net assets of \$906 (2007 - \$832)

During the year, the Branch received \$nil (2007 - nil) contributions from the foundation.

17. Related party transactions:

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, 2008, expenses includes \$1,194 (2007 - \$995) resulting from transactions with other PHSA members.

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

18. Comparative figures:

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