

Financial Statements  
(Expressed in thousands of dollars)

**BRITISH COLUMBIA TRANSPLANT  
SOCIETY BRANCH**

Year ended March 31, 2010



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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, 2010 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, 2010 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 period.

Chartered Accountants

Vancouver, Canada

April 30, 2010

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 19	\$ 35
Accounts receivable (note 3)	1,761	1,043
Prepaid expenses	94	52
	1,874	1,130
Capital assets (note 4)	68	77
	\$ 1,942	\$ 1,207

## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 3,235	\$ 4,286
Deferred contributions for designated purposes (note 6)	1,549	1,231
Current portion of retirement allowance (note 7(a))	7	3
	4,791	5,520
Retirement allowance (note 7(a))	163	153
Asset retirement obligations (note 10(c))	134	120
Deferred capital contributions (note 8)	26	35
	5,114	5,828
Net assets (deficiency):		
Invested in capital assets (note 9(a))	42	42
Unrestricted	(3,214)	(4,663)
	(3,172)	(4,621)
	\$ 1,942	\$ 1,207

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 TRANSPLANT SOCIETY BRANCH

## Statement of Operations

(Expressed in thousands of dollars)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Revenues:</b>		
Provincial Health Services Authority contributions	\$ 39,906	\$ 37,361
Medical Services Plan	4,798	4,170
Patients, clients and residents	4	-
Amortization of deferred capital contributions	9	36
Other (note 11)	81	248
Research and designated contributions	371	349
	<u>45,169</u>	<u>42,164</u>
<b>Expenses:</b>		
Compensation and benefits	9,906	9,301
Referred-out and contracted services (note 12)	31,076	31,009
Supplies (note 13)	717	283
Amortization of capital assets	17	65
Equipment and building services	676	598
Sundry (note 14)	951	943
Accretion of asset retirement obligations (note 10(c))	6	7
Research and designated expenses	371	349
	<u>43,720</u>	<u>42,555</u>
Excess (deficiency) of revenues over expenses	\$ 1,449	\$ (391)

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, 2010, with comparative figures for 2009

	Invested in capital assets	Unrestricted	Total	
			2010	2009
Balance, beginning of year	\$ 42	\$ (4,663)	\$ (4,621)	\$ (4,230)
Excess (deficiency) of revenues over expenses	(8)	1,457	1,449	(391)
Net change in capital assets (note 9(c))	8	(8)	-	-
Balance, end of year	\$ 42	\$ (3,214)	\$ (3,172)	\$ (4,621)

See accompanying notes to financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

## Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 1,449	\$ (391)
Items not involving cash:		
Amortization of capital assets	17	65
Amortization of deferred capital contributions	(9)	(36)
Accretion of asset retirement obligations	6	7
Retirement allowance expense	14	19
Net change in non-cash operating items (note 15)	(1,493)	320
Decrease in cash	(16)	(16)
Cash, beginning of year	35	51
Cash, end of year	\$ 19	\$ 35

See accompanying notes to financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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The British Columbia Transplant 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 Services and is one of six Health Authorities in British Columbia. The Branch is dependent on the Ministry of Health Services to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act of Canada*, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia 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 Research Institute Society;
- Mental Health and Addictions Research Institute; and
- Cardiac Services British Columbia.

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

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

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:

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Leasehold improvements	Lease term to a maximum of 20 years
Equipment	3 - 20 years

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### (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 (2009 - 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.



# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (e) Employee future benefits (continued):

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.

### (h) Financial instruments:

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

- The Branch initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the Branch's accrued retirement allowance liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (h) Financial instruments (continued):

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of the transaction that received hedge accounting.

The Branch has elected to defer applying Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3862, *Financial Instruments - Disclosure* and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

### (i) Changes in accounting standards:

#### (i) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the Branch adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and add a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow CICA Handbook Section 1540, *Cash Flow Statements*. The implementation of these amendments did not have any significant impact on the Branch's financial statements.

#### (ii) Amendments to Section 1000, Financial Statement Concepts:

Effective April 1, 2009, the Branch adopted the amendments in CICA Handbook Section 1000, *Financial Statement Concepts*. The amendments clarify the relationship between incurring expenditures and creating assets, and clarifies that items which do not meet the definition of assets or liabilities are not eligible for recognition. The implementation of the amendments did not have any impact on the Branch's financial statements.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (j) Future accounting framework:

The Branch is currently classified as a government not-for-profit (NPO) organization. Under the direction of the Public Sector Accounting Standards Board (PSAB), the Branch adheres to the standards for NPO organizations in the CICA Handbook.

PSAB proposes to incorporate into the PSAB Handbook, the current NPO Sections (4400 standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections at this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government NPO organizations, for fiscal periods beginning on or after January 1, 2012.

The Branch intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the Branch will determine the impact on the financial statements.

## 2. Financial instruments:

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

## 3. Accounts receivable:

	2010	2009
Provincial Health Services Authority	\$ 723	\$ -
Patients, clients and agencies	-	8
Ministry of Health Services	846	894
Goods and services tax	12	20
Other	180	121
	<u>\$ 1,761</u>	<u>\$ 1,043</u>

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

## 4. Capital assets:

2010	Cost	Accumulated depreciation	Net book value
Leasehold improvements	\$ 668	\$ 630	\$ 38
Equipment	289	259	30
	\$ 957	\$ 889	\$ 68

2009	Cost	Accumulated depreciation	Net book value
Leasehold improvements	\$ 660	\$ 625	\$ 35
Equipment	292	250	42
	\$ 952	\$ 875	\$ 77

## 5. Accounts payable and accrued liabilities:

	2010	2009
Trade accounts payable and accrued liabilities	\$ 2,753	\$ 2,369
Provincial Health Services Authority	-	1,244
Salaries and benefits payable	277	498
Accrued vacation pay	205	175
	\$ 3,235	\$ 4,286

## 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.

	2010	2009
Deferred contributions for designated purposes, beginning of year	\$ 1,231	\$ 832
Less amount recognized as revenue in the year	(371)	(349)
Add amount received for future periods	689	748
Deferred contributions for designated purposes, end of year	\$ 1,549	\$ 1,231

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

## 7. Employee benefits:

### (a) Retirement allowance:

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

The Branch's liabilities are based on an actuarial valuation as at December 31, 2009. The next required valuation will be as of December 31, 2012.

Information about retirement allowance benefits is as follows:

	2010	2009
Accrued benefit obligation:		
Sick leave benefits	\$ 1	\$ -
Severance benefits	192	109
Total unfunded obligation	193	109
Balance of unamortized amounts	(23)	47
Accrued retirement allowance benefits	170	156
Less current portion	7	3
Long-term portion	\$ 163	\$ 153
Retirement allowance expense	\$ 14	\$ 19
Benefits paid	-	-

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

	2010	2009
Accrued benefit obligation as at March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	2.50%	2.50%

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

## 7. 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 \$212 (2009 - \$196) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 157,000 active members of which 69 are employees of the Branch. The next required valuation will be as at December 31, 2009. The results are not yet available.

## 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.

	2010	2009
Deferred capital contributions, beginning of year	\$ 35	\$ 71
Less amortization for the year	(9)	(36)
Deferred capital contributions, end of year	\$ 26	\$ 35

## 9. Invested in capital assets:

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

	2010	2009
Capital assets	\$ 68	\$ 77
Amounts financed by:		
Deferred capital contributions	(26)	(35)
	\$ 42	\$ 42

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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

(b) Deficiency of revenues over expenses:

	2010	2009
Amortization of deferred capital contributions	\$ 9	\$ 36
Amortization of capital assets	(17)	(65)
	\$ (8)	\$ (29)

(c) Transfer to invested in capital assets:

	2010	2009
Asset retirement obligations (note 10(c))	\$ 8	\$ (35)

## 10. Commitments and contingencies:

(a) Operating leases:

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

2011	\$ 310
2012	310
2013	310
2014	274
2015	206
	\$ 1,410

(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, 2010, 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.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

## 10. Commitments and contingencies (continued):

### (c) Asset retirement obligations:

The Branch has accrued asset retirement obligations of \$134 (2009 - \$120) 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 \$179 (2009 - \$179) over the respective lease terms at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.02% for new obligations in 2010 (2009 - 4.90%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

## 11. Other revenues:

	2010	2009
Recoveries from other Health Authorities and government reporting entities	\$ 33	\$ 33
Recoveries from sales of goods and services	48	215
	\$ 81	\$ 248

## 12. Referred out and contracted services:

	2010	2009
Other Health Authorities and government reporting entities	\$ 26,663	\$ 26,833
Private contractors	4,413	4,176
	\$ 31,076	\$ 31,009

## 13. Supplies:

	2010	2009
Drugs and medical gases (rebates)	\$ 149	\$ (272)
Medical and surgical	418	398
Printing, stationery and office	147	153
Plant operation	2	3
Other	1	1
	\$ 717	\$ 283



# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

## 14. Sundry:

	2010	2009
Communication and data processing	\$ 44	\$ 44
Travel	469	513
Professional fees	32	8
Other	406	378
	<u>\$ 951</u>	<u>\$ 943</u>

## 15. Statement of cash flows:

Net change in non-cash operating items:

	2010	2009
Changes to non-cash operating items:		
Accounts receivable	\$ (718)	\$ 1,261
Prepaid expenses	(42)	(45)
Accounts payable and accrued liabilities	(1,051)	(1,295)
Deferred contributions for designated purposes	318	399
	<u>\$ (1,493)</u>	<u>\$ 320</u>

Non-cash transactions:

Additions (reductions) to asset retirement obligations	\$ 8	\$ (35)
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## 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, 2010, the foundation held net assets of \$746 (2009 - \$703)

During fiscal year 2010, the Branch received contributions of nil (2009 - \$50) from the foundation.

# BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2010

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## 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, 2010, expenses include \$1,291 (2009 - \$1,023) resulting from transactions with other PHSA members.

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

## 18. Capital management:

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

The Branch's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry of Health Services and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health Services.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Branch has complied with the external restrictions on the funding provided.

## 19. Comparative figures:

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