

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA TRANSPLANT
SOCIETY BRANCH**

Year ended March 31, 2013



June 27, 2013

Independent Auditor's Report

To the Board of British Columbia Transplant Society Branch

We have audited the accompanying financial statements of British Columbia Transplant Society Branch, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011 and the statements of operations and accumulated operating deficit, changes in net financial assets (debt) and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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



Opinion

In our opinion, the financial statements which comprise the statements of financial position as at March 31, 2013 and March 31, 2012 and April 1, 2011, the statements of operations and accumulated operating deficit, changes in net financial assets (debt) and cash flows for the years ended March 31, 2013 and March 31, 2012, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter

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

PricewaterhouseCoopers LLP

Chartered Accountants

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Financial Position

(Amounts expressed in thousands of dollars)

March 31, 2013, with comparative figures for March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012 (Restated – note 14)	April 1, 2011 (Restated – note 14)
Financial assets			
Cash and cash equivalents	\$ 88	\$ 11	\$ 25
Accounts receivable (note 2)	1,757	4,371	2,099
	1,845	4,382	2,124
Liabilities			
Accounts payable and accrued liabilities (note 3)	4,582	5,033	3,912
Deferred research and designated contributions (note 4)	359	2,443	2,001
Asset retirement obligations (note 5)	163	167	139
Retirement allowance (note 6(a))	306	271	236
Deferred capital contributions (note 7)	24	18	22
	5,434	7,932	6,310
Net debt	\$ (3,589)	\$ (3,550)	\$ (4,186)
Non-financial assets			
Tangible capital assets (note 8)	\$ 49	\$ 48	\$ 56
Prepaid expenses	5	60	650
	54	108	706
Accumulated operating deficit (note 14(c)(iv))	\$ (3,535)	\$ (3,442)	\$ (3,480)

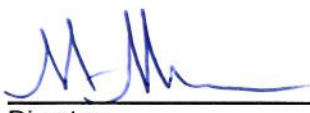
Commitments and contingencies (note 9)

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 and Accumulated Operating Deficit
(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012 (Restated – note 14)
Revenues:			
Provincial Health Services			
Authority contributions	\$ 37,502	\$ 39,109	\$ 43,157
Medical Services Plan	5,694	5,674	5,915
Other (note 10(a))	7,746	2,033	44
Research and designated contributions (note 4)	404	124	346
Amortization of deferred capital contributions (note 7)	4	4	4
Other contributions	870	2	-
	<u>52,220</u>	<u>46,946</u>	<u>49,466</u>
Expenses (note 10(b)):			
Acute	<u>52,220</u>	<u>47,039</u>	<u>49,428</u>
	52,220	47,039	49,428
Annual operating (deficit) surplus	\$ -	\$ (93)	\$ 38
Accumulated operating deficit, beginning of year (note 14(c)(iv))			
	<u>(3,442)</u>	<u>(3,442)</u>	<u>(3,480)</u>
Accumulated operating deficit, end of year	\$ (3,442)	\$ (3,535)	\$ (3,442)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

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

Year ended March 31, 2013, with comparative figures for 2012

	Budget (note 1(j))	2013	2012
Annual operating (deficit) surplus	\$ -	\$ (93)	\$ 38
Acquisition of tangible capital assets	-	(10)	-
Asset retirement obligations	-	(11)	-
Amortization of tangible capital assets	6	20	8
	6	(94)	46
Acquisition of prepaid expenses	-	(609)	(639)
Use of prepaid expenses	-	664	1,229
	-	55	590
(Increase) decrease in net debt	6	(39)	636
Net debt, beginning of year	(3,550)	(3,550)	(4,186)
Net debt, end of year	\$ (3,544)	\$ (3,589)	\$ (3,550)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012 (Restated – note 14)
Cash flows from (used in) operating activities:		
Annual operating (deficit) surplus	\$ (93)	\$ 38
Items not involving cash:		
Amortization of deferred capital contributions	(4)	(4)
Accretion of asset retirement obligations	3	28
Reduction in asset retirement obligations	(3)	-
Amortization of tangible capital assets	20	8
Retirement allowance expense	35	35
Net change in non-cash operating items (note 11)	134	(119)
Net change in cash from operating activities	92	(14)
Capital activities:		
Asset retirement costs paid	(15)	-
Acquisition of tangible capital assets	(10)	-
Net change in cash from capital activities	(25)	-
Financing activities:		
Capital contributions	10	-
Net change in cash from financing activities	10	-
Increase (decrease) in cash and cash equivalents	77	(14)
Cash and cash equivalents, beginning of year	11	25
Cash and cash equivalents, end of year	\$ 88	\$ 11

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

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

The following agencies/programs are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- Cardiac Services British Columbia;
- Children’s & Women’s Health Centre of British Columbia Branch;
- Emergency and Health Services Commission;
- Forensic Psychiatric Services Commission;
- Health Shared Services BC; and
- Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above-noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission 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 accounting:

These financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board (referred to as the financial reporting framework (the “framework”).

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series elections from their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 provided direction for the reporting of restricted contributions whether they are received or receivable by the Branch before or after this regulation was in effect. The accounting treatment of restricted contributions in accordance with Regulation 198/2011 is as described in note 1(g). The impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 is disclosed in note 16.

The Branch has collaborative relationships with certain foundations, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the financial statements do not include the assets, liabilities, and results of operations of these entities (see note 12(a)).

(b) Cash and cash equivalents:

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

(c) Accounts receivable:

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(d) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Branch reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(e) Employee future benefits:

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

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). Plan assets are measured at fair value.

The actuarial gains and losses on employee benefits that are not event-driven, such as retirement benefits, are deferred and amortized over the expected average remaining service period of active covered employees. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2012 - 10 years).

Where there are plan assets, the new discount rate is the rate of return on plan assets. If there are no plan assets, the discount rate is the Province's cost of borrowing. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

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

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(e) Employee future benefits (continued):

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(f) Non-financial assets:

Tangible capital assets:

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

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent life.

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

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

Contributed tangible capital assets are recorded at fair value at the date of contribution. Such fair value becomes the cost of the contributed assets.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(g) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* 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.

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

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

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

Under the framework described in note 1(a), externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

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

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.

(h) Measurement uncertainty:

The preparation of the 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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(h) Measurement uncertainty (continued):

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

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

(i) Financial instruments:

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

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

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

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

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

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

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

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

The Branch applied requirements of PS 3450, *Financial Instruments* effective April 1, 2012, in the same period as it adopted PSAS for the first time. Accordingly, PS 3450 was not applied retroactively. Comparative amounts for financial instruments are presented in accordance with the accounting policies applied by the Branch immediately preceding its adoption of PSAS.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2012/2013 Budget approved by the Board of Directors on April 26, 2012.

The budget is reflected in the statement of operations and accumulated operating deficit and the statement of changes in net financial assets (debt).

2. Accounts receivable:

	2013	2012
Medical Services Plan	\$ 1,215	\$ 1,906
Other health authorities and BC government reporting entities	73	121
Federal and provincial sales taxes	37	32
Patients, clients and agencies	1	48
Research and designated contributions	-	16
Other	431	2,248
	\$ 1,757	\$ 4,371

3. Accounts payable and accrued liabilities:

	2013	2012
Trade accounts payable and accrued liabilities	\$ 1,913	\$ 3,931
Provincial Health Services Authority	1,749	534
Salaries and benefits payable	743	412
Accrued vacation pay	177	156
	\$ 4,582	\$ 5,033

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

4. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund clinical trials and other activities. Contributions are received from various non-government grantors, such as pharmaceutical companies and other donors for various projects in the fields of clinical trials, health promotion, and other special purpose initiatives.

	2013	2012
Deferred research and designated contributions, beginning of year	\$ 2,443	\$ 2,001
Contributions received during the year	140	772
Amounts recognized as revenue in the year	(124)	(346)
Amounts recognized in revenue from operations	(2,100)	-
Amounts to be received in future periods	-	16
Deferred research and designated contributions, end of year	\$ 359	\$ 2,443

5. Asset retirement obligations:

	2013	2012
Asset retirement obligations:		
Balance, beginning of year	\$ 167	\$ 139
Incurred costs	(15)	-
Change in estimates	11	-
Reduction in liability	(3)	-
Accretion	3	28
Asset retirement obligations, end of year	\$ 163	\$ 167

The Branch has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of \$164 (2012 - \$179) over the term to expected settlement, at a credit-adjusted risk free rate of 1.24% (2012 - 4%). Estimated future cash flows are adjusted for an inflation factor of 2% (2012 - 2%).

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

5. Asset retirement obligations (continued):

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed.

6. Employee benefits:

(a) Retirement allowance:

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

Sick leave benefits that accumulate but do not vest are included in the sick leave benefits balance.

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2013 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2013 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	March 31, 2013	March 31, 2012 (Restated – note 14)	April 1, 2011 (Restated – note 14)
Accrued benefit obligation:			
Sick leave benefits	\$ 32	\$ 28	\$ 22
Severance benefits	261	242	214
	293	270	236
Balance of unamortized amounts	13	1	-
Accrued benefit obligation	\$ 306	\$ 271	\$ 236

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

6. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2013	2012 (Restated – note 14)
Accrued benefit obligation:		
Balance, beginning of year	\$ 271	\$ 236
Current service cost	23	22
Interest expense	12	13
Net benefit expense	35	35
Accrued benefit obligation, end of year	\$ 306	\$ 271

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

	March 31, 2013	March 31, 2012 (Restated – note 14)	April 1, 2011 (Restated – note 14)
Accrued benefit obligation:			
Discount rate	4.41%	4.44%	5.01%
Rate of compensation increase	2.50%	2.50%	2.50%
Benefit costs:			
Discount rate	4.44%	5.01%	6.25%
Rate of compensation increase	2.50%	2.50%	2.50%

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

6. Employee benefits (continued):

(b) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$181 (2012 - \$184) 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 actuarial valuation for the plan as at December 31, 2009 indicated an unfunded liability of \$1,024,000. The results of the most recent actuarial valuation for the plan as of December 31, 2012 have not yet been published as of the date of these financial statements. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 175,000 active members, of which 47 are employees of the Branch (2012 – 58). The next required valuation will be as at December 31, 2015, with results available in 2016.

7. Deferred capital contributions:

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

	2013	2012
Deferred capital contributions, beginning of year	\$ 18	\$ 22
Capital contributions received from Ministry of Health	10	-
Amortization for the year	(4)	(4)
Deferred capital contributions, end of year	\$ 24	\$ 18

The Branch does not have unspent capital contributions.

8. Tangible capital assets:

Cost	March 31, 2012	Additions	Disposals	March 31, 2013
Equipment and information systems	\$ 289	\$ 11	\$ (11)	\$ 289
Leasehold improvements	668	10	-	678
	\$ 957	\$ 21	\$ (11)	\$ 967

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

8. Tangible capital assets (continued):

Accumulated amortization	March 31, 2012	Amortization	Disposals	March 31, 2013
Equipment and information systems	\$ 270	\$ 3	\$ (11)	\$ 262
Leasehold improvements	639	17	-	656
	\$ 909	\$ 20	\$ (11)	\$ 918

Cost	April 1, 2011	Additions	Disposals	March 31, 2012
Equipment and information systems	\$ 289	\$ -	\$ -	\$ 289
Leasehold improvements	668	-	-	668
	\$ 957	\$ -	\$ -	\$ 957

Accumulated amortization	April 1, 2011	Amortization	Disposals	March 31, 2012
Equipment and information systems	\$ 265	\$ 5	\$ -	\$ 270
Leasehold improvements	636	3	-	639
	\$ 901	\$ 8	\$ -	\$ 909

Net book value	2013	2012
Equipment and information systems	\$ 27	\$ 19
Leasehold improvements	22	29
	\$ 49	\$ 48

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

8. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2013	2012
Deferred capital contributions	\$ 24	\$ 18
Internally funded	25	30
Tangible capital assets	\$ 49	\$ 48

9. Commitments and contingencies:

(a) Operating leases:

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

2014	\$	255
2015		4
2016		1
	\$	260

(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, 2013, management is of the opinion that the Branch has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

10. Statement of operations:

(a) Other revenues:

	2013	2012
Recoveries from sales of goods and services	\$ 2,021	\$ 43
Drug sales	12	1
	\$ 2,033	\$ 44

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

10. Statement of operations (continued):

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

	2013	2012 (Restated – note 14)
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	\$ 28,493	\$ 31,347
Private contractors	4,370	4,754
	<u>32,863</u>	<u>36,101</u>
Compensation and benefits	11,045	10,437
Supplies:		
Medical and surgical	775	564
Drugs and medical gases	462	629
Printing, stationery and office	120	114
Other	19	-
	<u>1,376</u>	<u>1,307</u>
Sundry:		
Travel	599	579
Communication and data processing	77	54
Professional fees	22	49
Other	280	172
	<u>978</u>	<u>854</u>
Equipment and building services:		
Rent	450	283
Equipment	145	44
Building and ground service contracts	32	16
Plant operation (utilities)	3	2
	<u>630</u>	<u>345</u>
Research and designated expenses	124	348
Amortization of tangible capital assets (note 8)	20	8
Accretion of asset retirement obligations (note 5)	3	28
	<u>\$ 47,039</u>	<u>\$ 49,428</u>

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

11. Supplementary cash flow information:

Net change in non-cash operating items:

	2013	2012 (Restated - note 14)
Accounts receivable	\$ 2,614	\$ (2,272)
Accounts payable and accrued liabilities	(451)	1,121
Deferred research and designated contributions	(2,084)	442
Prepaid expenses	55	590
	<u>\$ 134</u>	<u>\$ (119)</u>

12. Related entities:

(a) Foundations:

The Branch has economic relationships with 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, 2013, the Foundation held net assets of \$566 (2012 - \$625).

During 2013 and 2012, the Branch did not receive contributions from the Foundation.

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2013, expenses include \$1,338 (2012 - \$1,407) resulting from transactions with other PHSA members.

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

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Year ended March 31, 2013

13. Risk management:

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

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

(i) Credit risk

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

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

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

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other Health Authorities and BC government reporting entities. No accounts receivable from other parties were past due as at March 31, 2013.

(ii) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due.

The Branch receives its principal source of capital through funding received from the Ministry. The Branch defines capital to be accumulated operating deficit, debt and deferred capital contributions.

The Branch's objective when managing capital is to fund its operations and tangible capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry 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.

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(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

13. Risk management: (continued):

(ii) Liquidity risk (continued):

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

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

Financial assets	On demand	Up to 6 months	Total
Cash and cash equivalents	\$ 88	\$ -	\$ 88
Accounts receivable	1,756	1	1,757
Total financial assets	\$ 1,844	\$ 1	\$ 1,845

Financial liabilities	On demand	Up to 6 months	Total
Accounts payable and accrued liabilities	\$ 4,499	\$ 83	\$ 4,582
Total financial liabilities	\$ 4,499	\$ 83	\$ 4,582

14. Adoption of new financial reporting framework:

Effective April 1, 2012, the Branch adopted the framework described in note 1(a). These financial statements are the first financial statements for which the Branch has applied the framework. Previously, the Branch's financial statements were prepared in accordance with Part V of Canadian generally accepted accounting principles ("Part V Canadian GAAP").

The accounting policies disclosed in note 1 of these financial statements have been applied consistently in preparing the financial statements as at and for the year ended March 31, 2013, the comparative information as at and for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011, the Branch's transition date, with the exception of exemptions on the first time adoption of PSAS described below and the adoption of PS 3450, *Financial Instruments*. According to the transitional provisions of PS 3450 for the first time adopters of PSAS, requirements of PS 3450 were applied as at April 1, 2012 prospectively, without restatement of comparative periods.

The impact of the adoption of the framework on accumulated operating deficit at the date of transition and comparative balances is presented below. These accounting changes have been applied retroactively with restatement of prior periods, except for the following exemptions from retroactive application on the first time adoption.

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

14. Adoption of new financial reporting framework (continued):

(a) Transition date exemptions

Optional exemptions:

PS 2125, *First Time Adoption by Government Organizations*, allows first-time adopters certain optional exemptions from full retrospective application of PSAS. Application of certain first time adoption exemptions was directed by the Treasury Board and the OCG (note 1(a)). The Branch applied the following exemptions as at April 1, 2011, its date of transition to the framework:

(i) Retirement and post-employment benefits – change in discount rate applied:

The Authority has elected not to use the exemption and applied the requirements of PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits* with respect to the discount rate used to calculate the accrued obligations as at April 1, 2011.

(ii) Retirement and post-employment benefits – cumulative unamortized gains and losses on transition:

The Branch has elected to recognize all cumulative actuarial gains and losses at the date of transition directly to accumulated operating deficit. This election has been applied to all plans.

(iii) Business combinations:

The Branch has elected to apply the election under PS 2125. Therefore, the Branch has not restated any business combinations before the transition date to be in compliance with section PS 2510, *Business Combinations*.

(iv) Tangible capital asset impairment:

The Branch has elected to apply the exemption under PS 2125, which exempts the Branch from retroactively reviewing for write-downs of tangible capital assets prior to the date of transition.

Mandatory exemptions:

The Branch has not revised estimates previously made under Part V Canadian GAAP, except for adjustments required to reflect any difference in accounting policies or calculations. Hindsight is not used to create or revise estimates.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

14. Adoption of new financial reporting framework (continued):

(b) Transitional adjustments to new accounting framework:

Key adjustments to the Branch's financial statements resulting from the adoption of the framework are as follows:

(i) Retirement and post-employment benefits – accrual of non-vesting sick leave benefits:

Previously, the Branch was not required to record an accrued benefit obligation related to sick leave benefits when such benefits do not vest. The framework requires that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Branch in return for the benefits. An adjustment was made to recognize a liability related to accumulated sick leave entitlement.

(ii) Retirement and post-employment benefits – amortization of actuarial gains and losses:

Under Part V Canadian GAAP, the Branch used the “corridor” method of amortization of actuarial gains and losses, under which such gains or losses in excess of 10% of the greater of net plan assets or liabilities at the beginning of the period were deferred and amortized over the expected average remaining service lifetime of active employees.

Under PS 3250, *Retirement Benefits* and PS 3255, *Post-Employment Benefits, Compensated Absences and Termination Benefits*, the Branch defers and amortizes any amount of actuarial gains and losses on retirement benefit plans, as such benefits are not event-driven.

(iii) Deferred research and designated contributions:

Certain balances previously reported in the deferred research and designated contributions did not meet the definition of a liability under PS 3200, *Liabilities*. Amounts were restated to recognize revenue in periods in which revenue recognition criteria were met.

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

14. Adoption of new financial reporting framework (continued):

(c) Reconciliation of statements of financial position, operations and cash flows, and accumulated operating deficit as previously reported under Part V Canadian GAAP to new financial reporting framework

Key adjustments to the Branch's financial statements resulting from the adoption of the framework are as follows:

(i) Statements of financial position:

March 31, 2012	Note	Part V Canadian GAAP, as previously reported	Prior year adjustment	Transition adjustment	New accounting framework
Liabilities					
Retirement allowance	(b)(ii)	\$ 231	\$ 36	\$ 4	\$ 271
Deferred research and designated contributions	(b)(iii)	2,491	(50)	2	2,443
April 1, 2011	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework	
Liabilities					
Retirement allowance	(b)(ii)	\$ 200	\$ 36	\$	\$ 236
Deferred research and designated contributions	(b)(iii)	2,051	(50)		2,001

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

14. Adoption of new financial reporting framework (continued):

(ii) Statement of operations:

The framework requires presentation of expenses by functions. Accordingly, the Branch presents expenses by sectors of health care. The following is a reconciliation of previously reported expenses to presentation of expenses by functions.

2012	Part V Canadian GAAP, as previously reported	Transition adjustment	Note	Acute	Total (restated)
Referred-out and contracted services	\$ 36,101	\$ -		\$ 36,101	\$ 36,101
Compensation and benefits	10,433	4	a(i), (b)(i)-(ii)	10,437	10,437
Supplies	1,307	-		1,307	1,307
Sundry	854	-		854	854
Research and designated expenses	348	-		348	348
Equipment and building services	345	-		345	345
Accretion of asset retirement obligations	28	-		28	28
Amortization of tangible capital assets	8	-		8	8
	\$ 49,424	\$ 4		\$ 49,428	\$ 49,428

(iii) Statement of cash flows:

2012	Note	Part V Canadian GAAP, as previously reported	Transition adjustment	New accounting framework
Retirement allowance expense	(a)(i) (b)(i)-(ii)	\$ 31	\$ 4	\$ 35
Net change in non-cash operating items	(a)(i) (b)(i)-(iii)	(121)	2	(119)

The adoption of the framework has had no impact on the net cash flows of the Branch.

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2013

14. Adoption of new financial reporting framework (continued):

(iv) Accumulated operating deficit:

	Note	March 31, 2012	April 1, 2011
Accumulated operating deficit, as previously reported		\$ (3,450)	\$ (3,494)
Effect of recognition of the unamortized actuarial gains / losses in accumulated surplus, change in discount rate, change in method of amortization of actuarial gains / losses on retirement benefits and non-vested sick leave accrual	(a)(i)-(ii) (b)(i)-(ii)	(40)	(36)
Effect of release of deferred research and designated contributions that do not meet the definition of a liability	b(iii)	48	50
Accumulated operating deficit, as restated		\$ (3,442)	\$ (3,480)

15. Comparative figures:

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

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

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

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

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

As at April 1, 2011		
Decrease in accumulated operating deficit	\$	22
Decrease in deferred capital contributions		(22)
For the year ended March 31, 2012		
Increase in operating surplus		4
As at March 31, 2012		
Decrease in accumulated operating deficit		18
Decrease in deferred capital contributions		(18)
For the year ended March 31, 2013		
Decrease in operating deficit		6
As at March 31, 2013		
Decrease in accumulated operating deficit		24
Decrease in deferred capital contributions		(24)
