

Financial Statements  
(Expressed in thousands of dollars)

**FORENSIC PSYCHIATRIC SERVICES  
COMMISSION**

Year ended March 31, 2007



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## **AUDITORS' REPORT TO THE BOARD OF COMMISSIONERS OF FORENSIC PSYCHIATRIC SERVICES COMMISSION**

We have audited the statement of financial position of Forensic Psychiatric Services Commission as at March 31, 2007 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission'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 Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

May 4, 2007

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2007, with comparative figures for 2006

	2007	2006
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 181	\$ 220
Restricted cash	94	88
Accounts receivable (note 3)	12,106	12,753
Inventory	83	74
	<u>12,464</u>	<u>13,135</u>
Capital assets, net (notes 4 and 11)	1,864	1,858
	<u>\$ 14,328</u>	<u>\$ 14,993</u>

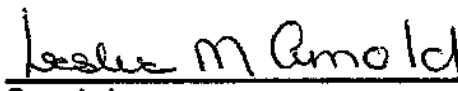
## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities (note 5)	\$ 4,386	\$ 6,024
Current portion of obligations under capital leases (note 8)	24	-
	<u>4,410</u>	<u>6,024</u>
Accrued sick and severance liabilities (note 6(a))	1,392	1,453
Other long-term liabilities (note 11)	318	246
Obligations under capital leases (note 8)	131	-
Deferred capital contributions (note 7)	1,170	1,246
	<u>7,421</u>	<u>8,969</u>
<b>Net assets:</b>		
Invested in capital assets (note 9(a))	539	612
Unrestricted	6,368	5,412
	<u>6,907</u>	<u>6,024</u>
Commitments and contingencies (note 10)		
	<u>\$ 14,328</u>	<u>\$ 14,993</u>

See accompanying notes to financial statements.

Approved on behalf of the Commission:

  
Commissioner

  
Commissioner

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Revenue and Expenses  
(Expressed in thousands of dollars)

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

	2007	2006
<b>Revenue:</b>		
Provincial Health Services Authority operating grants	\$ 47,353	\$ 49,557
Patient/client revenue	11	3
Medical Services Commission	4,404	4,038
Other	162	108
	<u>51,930</u>	<u>53,706</u>
<b>Expenses:</b>		
Compensation and benefits	36,468	35,342
Supplies	2,331	2,150
Sundry	1,242	1,764
Equipment and building services	6,002	8,325
Accretion of asset retirement obligation	12	-
Referred out/contracted services	4,858	4,623
	<u>50,913</u>	<u>52,204</u>
Excess of revenue over expenses before amounts related to capital assets	1,017	1,502
<b>Amounts related to capital assets:</b>		
Amortization of deferred capital contributions	180	168
Amortization of capital assets	(314)	(257)
	<u>(134)</u>	<u>(89)</u>
Excess of revenue over expenses	<u>\$ 883</u>	<u>\$ 1,413</u>

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

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

	Invested in capital assets	Unrestricted	Total	
			2007	2006
Balance, beginning of year	\$ 612	\$ 5,412	\$ 6,024	\$ 4,611
Excess (deficiency) of revenue over expenses	(134)	1,017	883	1,413
Net change in capital assets (note 9 (c))	61	(61)	-	-
Balance, end of year	\$ 539	\$ 6,368	\$ 6,907	\$ 6,024

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

## Statement of Cash Flows

(Expressed in thousands of dollars)

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

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 883	\$ 1,413
Items not involving cash:		
Amortization of capital assets	314	257
Amortization of deferred capital contributions	(180)	(168)
	1,017	1,502
Changes in non-cash operating items (note 14)	(1,067)	(1,370)
	(50)	132
Financing:		
Additions to capital lease obligations	156	-
Additions to deferred capital contributions	104	101
Additions to other long-term liabilities (note 11)	72	246
Repayment of capital lease obligation	(1)	-
	331	347
Investments:		
Additions to capital assets (notes 9(c) and 11)	(320)	(346)
Increase (decrease) in cash	(39)	133
Cash, beginning of year	220	87
Cash, end of year	\$ 181	\$ 220

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 1. Operations:

The Forensic Psychiatric Services Commission (the Commission) was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health Services on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority (PHSA) which was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province-wide health care programs and services. The following members are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's & Women's Health Centre of British Columbia Branch;
- Women's Health and Research Institute; and
- Red Cross Outpost Hospitals (until December 15, 2005)

Effective December 31, 2001, the above noted branch societies except for the Women's Health and Research Institute were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Commission is considered a continuation of the former Commission for financial reporting purposes.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder. The Commission is dependent on the Ministry of Health Services, through the PHSA, to provide sufficient funding to continue operations, replace equipment and complete capital projects.

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

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives of capital assets, the fair value of the asset retirement obligations and the estimation of amounts which may become payable to retiring employees.

### (b) Revenue recognition:

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

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

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Unrestricted investment income is recognized as revenue when earned.

### (c) Inventory:

Inventory is recorded at the lower of weighted average cost and market value.

### (d) Capital assets:

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

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 10 years



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

### (e) Employee future benefits:

Liabilities are recorded for employee sick and severance benefits as employees render services to earn the benefits. The actuarial determination of the accrued benefit obligations for employee sick and severance benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees is 10 years (2006 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multiemployer defined benefit plans and, accordingly, contributions are expensed.

### (f) Asset retirement obligations:

The Commission recognizes an asset retirement obligation liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed at the end of each period to reflect the passage of time and changes in the initial fair value assessment of the retirement obligation.

## 3. Accounts receivable:

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	2007	2006
Provincial Health Services Authority	\$ 11,223	\$ 11,519
Medical Services Commission	817	1,141
Other	66	93
	<hr/> \$ 12,106	<hr/> \$ 12,753

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# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 4. Capital assets:

2007	Cost	Accumulated amortization	Net book value
Leased buildings (note 11)	\$ 2,208	\$ 818	\$ 1,390
Equipment	2,538	2,089	449
Construction in Progress	25	-	25
	\$ 4,771	\$ 2,907	\$ 1,864

2006	Cost	Accumulated amortization	Net book value
Leased buildings (note 11)	\$ 2,105	\$ 603	\$ 1,502
Equipment	2,303	1,990	313
Construction in Progress	43	-	43
	\$ 4,451	\$ 2,593	\$ 1,858

## 5. Accounts payable and accrued liabilities:

	2007	2006
Trade accounts payable and accrued liabilities	\$ 1,184	\$ 1,877
Accrued salaries and benefits payable	1,782	2,522
Accrued vacation payable	1,193	1,370
Patient trust funds	94	88
Current portion of accrued sick and severance liabilities (note 6(a))	133	167
	\$ 4,386	\$ 6,024

## 6. Employee benefits:

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

Certain employees with twenty years of service who have reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. The Commission's liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 6. Employee benefits (continued):

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

Information about the employee sick and severance benefits is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ 27	\$ 25
Severance benefits	1,177	1,471
Total unfunded obligation	1,204	1,496
Balance of unamortized amounts	321	124
Accrued sick and severance liabilities	1,525	1,620
Current portion of sick and severance liabilities	133	167
Long-term portion of sick and severance liabilities	\$ 1,392	\$ 1,453
Sick and severance plan expense	\$ 170	\$ 168
Benefit paid	264	108

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

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

### (b) Employee pension benefits:

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

Employer contributions to the Public Service Pension Plan of \$1,901 (2006 - \$1,465) 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 March 31, 2005 indicated an unfunded liability of \$767,000 for basic pension benefits. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 50,000 active employees of which approximately 437 are employees of the Commission. The next required valuation will be as of March 31, 2008.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the Statements of Revenue and Expenses.

	2007	2006
Deferred capital contributions, beginning of year	\$ 1,246	\$ 1,313
Additional contributions received:		
Ministry of Health Services	104	101
	1,350	1,414
Less:		
Amount amortized to revenue	180	168
Deferred capital contributions, end of year	\$ 1,170	\$ 1,246

## 8. Obligations under capital leases:

The Branch leases equipment over terms which expire between fiscal years 2013 and 2014. The following is a schedule of minimum lease payments under fixed rate capital leases, together with the balance of the obligation.

	2007
2008	\$ 31
2009	30
2010	29
2011	28
2012	26
Thereafter	39
Total minimum lease payments	183
Amount representing interest at an average rate of 5.84%	(28)
Present value of capital lease payments	155
Current portion of obligations under capital leases	24
Long-term portion of obligations under capital leases	\$ 131

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

## 9. Invested in capital assets:

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

	2007	2006
Capital assets	\$ 1,864	\$ 1,858
Amount financed by deferred capital contributions	(1,170)	(1,246)
Obligations under capital leases	(155)	-
	\$ 539	\$ 612

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

	2007	2006
Amortization of deferred capital contributions	\$ 180	\$ 168
Amortization of capital assets	(314)	(257)
	\$ (134)	\$ (89)

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

	2007	2006
Purchase of capital assets	\$ 260	\$ 100
Asset retirement obligations (note 11)	60	246
	320	346
Amount funded by:		
Deferred capital contributions	(104)	(101)
Capital leases	(156)	-
Payment of obligation under capital leases	1	-
	(259)	(101)
	\$ 61	\$ 245

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 10. Commitments and contingencies:

### (a) Operating Lease commitments:

The Commission leases premises and equipment under operating leases. Minimum lease payments for each of the next five years and in total are as follows:

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2008	\$ 7,604
2009	303
2010	165
2011	54
2012	-
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	\$ 8,126

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The Commission leases land and buildings under an operating lease with the Accommodation and Real Estate Services (ARES) of the Ministry of Labour and Citizens' Services of British Columbia. Lease payments shown are for base rent. The terms and conditions are negotiated annually. Included in the above is \$7,554 for lease payments to ARES for the year ending March 31, 2008.

### (b) Legal contingencies:

In the ordinary course of the Commission's activities and the nature these activities, there is potential or pending litigation at any given time. As at March 31, 2007, management believes the Commission has valid defenses and appropriate insurance coverage in place for all unsettled claims. Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Commission's financial position.

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

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2007

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## 11. Asset retirement obligations:

The Commission has accrued asset retirement obligations of \$318 (2006 - \$246) 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 obligations was determined by discounting the estimated cash outflows of \$427 (2006 - \$294) over the respective lease terms at a credit-adjusted risk free rate of 5.26% (2006 - 4.06%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

## 12. Financial instruments:

The Commission's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities, and other long-term liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued sick and severance liabilities which is disclosed in note 6(a).

## 13. Related party transactions:

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

During the year, the Commission was involved in the following related party transactions with the other PHSA members listed in note 1:

For the year ended March 31, 2007, expenses include \$945 (2006 - \$303) resulting from transactions with other PHSA members.

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

## 14. Cash flow supplemental information:

	2007	2006
Changes in non-cash operating items:		
Restricted cash	\$ (6)	\$ (26)
Accounts receivable	647	(1,441)
Inventory	(9)	(5)
Prepaid expenses	-	1
Accounts payable and accrued liabilities	(1,638)	32
Accrued sick and severance liabilities	(61)	69
	<hr/>	<hr/>
	\$ (1,067)	\$ (1,370)