

Financial Statements  
(Expressed in thousands of dollars)

**FORENSIC PSYCHIATRIC  
SERVICES COMMISSION**

Year ended March 31, 2008



**KPMG LLP**  
**Chartered Accountants**  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone 604-691-3000  
Fax 604-691-3031  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2008 and the statement of operations, 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada  
May 2, 2008

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2008, with comparative figures for 2007


	2008	2007
<b>Assets</b>		
Current assets:		
Cash	\$ 335	\$ 181
Restricted cash	112	94
Accounts receivable (note 3)	13,164	12,106
Inventories of materials and supplies	102	83
	<u>13,713</u>	<u>12,464</u>
Capital assets (note 4)	1,983	1,864
	<u>\$ 15,696</u>	<u>\$ 14,328</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,181	\$ 4,253
Current portion of obligations under capital leases (note 6)	37	24
Current portion of retirement allowance (note 7(a))	127	133
	<u>5,345</u>	<u>4,410</u>
Long-term obligations under capital leases (note 6)	161	131
Retirement allowance (note 7(a))	1,350	1,392
Asset retirement obligations (note 10(c))	392	318
Deferred capital contributions (note 8)	1,190	1,170
	<u>8,438</u>	<u>7,421</u>
Net assets:		
Invested in capital assets (note 9(a))	595	539
Unrestricted	6,663	6,368
	<u>7,258</u>	<u>6,907</u>
Commitments and contingencies (note 10)		
	<u>\$ 15,696</u>	<u>\$ 14,328</u>

See accompanying notes to financial statements.

Approved on behalf of the Commission:

  
Commissioner

  
Commissioner

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Operations  
(Expressed in thousands of dollars)

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

	2008	2007
<b>Revenues:</b>		
Provincial Health Services Authority contributions	\$ 47,595	\$ 47,353
Medical Services Plan	5,180	4,404
Amortization of deferred capital contributions	180	180
Other (note 11)	320	162
Patients, clients and residents	5	11
	<u>53,280</u>	<u>52,110</u>
<b>Expenses:</b>		
Compensation and benefits	37,699	36,468
Referred-out and contracted services (note 12)	4,946	4,858
Supplies (note 13)	2,167	2,331
Depreciation of capital assets	341	314
Equipment and building services	6,330	6,002
Sundry (note 14)	1,427	1,242
Accretion of asset retirement obligations (note 10(c))	19	12
	<u>52,929</u>	<u>51,227</u>
<b>Excess of revenues over expenses</b>	<b>\$ 351</b>	<b>\$ 883</b>

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, 2008, with comparative figures for 2007

	Invested in capital assets	Unrestricted	Total	
			2008	2007
Balance, beginning of year	\$ 539	\$ 6,368	\$ 6,907	\$ 6,024
Excess (deficiency) of revenues over expenses	(161)	512	351	883
Net change in capital assets (note 9(c))	217	(217)	-	-
Balance, end of year	\$ 595	\$ 6,663	\$ 7,258	\$ 6,907

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Cash Flows  
(Expressed in thousands of dollars)

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

	2008	2007
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 351	\$ 883
Items not involving cash:		
Depreciation of capital assets	341	314
Amortization of deferred capital contributions	(180)	(180)
<u>Net change in non-cash operating items (note 15(a))</u>	<u>(215)</u>	<u>(1,067)</u>
	297	(50)
Cash flows from investing activities:		
Purchase of capital assets (note 9(c))	(460)	(320)
Cash flows from financing activities:		
Capital contributions	200	104
Additions to capital leases	79	156
Repayment of capital leases (note 6)	(36)	(1)
<u>Additions to asset retirement obligations (note 10(c))</u>	<u>74</u>	<u>72</u>
	317	331
Increase (decrease) in cash	154	(39)
Cash, beginning of year	181	220
<u>Cash, end of year</u>	<u>\$ 335</u>	<u>\$ 181</u>

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

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 or the Authority) which was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia. The Commission is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Commission is a not-for-profit organization under the *Income Tax Act*, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's & Women's Health Centre of British Columbia Branch; and
- Women's Health Research Institute Society.

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

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

Under the *Health Insurance Act and Regulations* thereto, the Authority 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.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

## 1. Significant accounting policies (continued):

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

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

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

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated.

### (c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Commission 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) Inventories of materials and supplies

Inventories are recorded at the lower of weighted average cost and market value.

### (e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Commission records depreciation on its assets on a straight-line basis over the useful life of the assets as follows:

---

Land improvements	20 years
Leasehold improvements	Lease term to a maximum of 20 years
Equipment	3 - 20 years
Software licence fees	3 - 5 years
Assets under capital lease	5 - 7 years

---



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

## 1. Significant accounting policies (continued):

### (f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2007 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

### (g) Asset retirement obligations:

The Commission 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.

### (h) 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.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

## 1. Significant accounting policies (continued):

### (i) Financial instruments:

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

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

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

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

### (j) Future accounting changes:

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

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

The Commission is currently evaluating the impact of these accounting standards for fiscal year 2009.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

## 2. Financial Instruments:

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

## 3. Accounts receivable:

	2008	2007
Provincial Health Services Authority	\$ 12,512	\$ 11,223
Ministry of Health	624	817
Other	28	66
	<b>\$ 13,164</b>	<b>\$ 12,106</b>

## 4. Capital assets:

2008	Cost	Accumulated depreciation	Net book value
Land improvements	\$ 43	\$ 9	\$ 34
Building service equipment	25	1	24
Construction in progress	130	-	130
Leasehold improvements	2,221	1,027	1,194
Equipment	2,546	2,141	405
Equipment under capital lease	235	39	196
Software licence fees	30	30	-
	<b>\$ 5,230</b>	<b>\$ 3,247</b>	<b>\$ 1,983</b>

2007	Cost	Accumulated depreciation	Net book value
Land improvements	\$ 43	\$ -	\$ 43
Construction in progress	25	-	25
Leasehold improvements	2,165	818	1,347
Equipment	2,352	2,067	285
Equipment under capital lease	156	2	154
Software licence fees	30	20	10
	<b>\$ 4,771</b>	<b>\$ 2,907</b>	<b>\$ 1,864</b>

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

## 5. Accounts payable and accrued liabilities:

	2008	2007
Trade accounts payable and accrued liabilities	\$ 1,696	\$ 1,184
Salaries and benefits payable	2,029	1,782
Accrued vacation pay	1,344	1,193
Patient trust funds	112	94
	<u>\$ 5,181</u>	<u>\$ 4,253</u>

## 6. Obligations under capital leases:

The Commission 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 obligations.

2009	\$	49
2010		47
2011		45
2012		43
2013		40
Thereafter		16
Total minimum lease payments		240
Amount representing interest at a weighted average rate of 5.84%		(42)
Present value of capital lease payments		198
Current portion of obligations under capital leases		37
Long-term portion of obligations under capital leases	\$	161

## 7. Employee benefits:

### (a) Retirement allowance:

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

The 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, 2008

## 7. Employee benefits (continued):

### (a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2008	2007
Accrued benefit obligation:		
Sick leave benefits	\$ 9	\$ 27
Severance benefits	1,128	1,177
Total unfunded obligation	1,137	1,204
Balance of unamortized amounts	340	321
Accrued retirement allowance benefits	1,477	1,525
Less current portion	127	133
Long-term portion	\$ 1,350	\$ 1,392
Retirement allowance expense	\$ 105	\$ 170
Benefits paid	153	264

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

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

### (b) Employee pension benefits:

The 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 \$2,013 (2007 - \$1,901) 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 unfunded liability to individual employers. The plan covers approximately 52,000 active employees of which approximately 458 are employees of the Commission. The next required valuation will be as of March 31, 2008, with results available in 2009.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

## 8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2008	2007
Deferred capital contributions, beginning of year	\$ 1,170	\$ 1,246
Provincial Health Services Authority	200	104
	1,370	1,350
Less amortization for the year	(180)	(180)
Deferred capital contributions, end of year	\$ 1,190	\$ 1,170

## 9. Invested in capital assets:

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

	2008	2007
Capital assets	\$ 1,983	\$ 1,864
Amounts financed by:		
Deferred capital contributions	(1,190)	(1,170)
Obligations under capital leases	(198)	(155)
	\$ 595	\$ 539

(b) Deficiency of revenues over expenses:

	2008	2007
Amortization of deferred capital contributions	\$ 180	\$ 180
Depreciation of capital assets	(341)	(314)
	\$ (161)	\$ (134)

(c) Transfer to invested in capital assets:

	2008	2007
Purchase of capital assets	\$ 404	\$ 260
Asset retirement obligation (note 10(d))	56	60
Amounts funded by:		
Deferred capital contributions	(200)	(104)
Capital Leases	(79)	(156)
Principal payments of obligations under capital leases	36	1
	\$ 217	\$ 61

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

## 10. Commitments and contingencies:

### (a) Operating leases:

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

---

2009	\$ 1,712
2010	288
2011	208
2012	163
2013	41
Thereafter	-
	<hr/>
	\$ 2,412

---

The Commission leases land and buildings through an operating lease with the Accommodation of 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 \$1,682 for lease payments to ARES for the year ending March 31, 2009.

### (b) Litigation and claims:

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2008, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement. Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

### (c) Asset retirement obligations:

The Commission has accrued asset retirement obligations of \$392 (2007 - \$318) 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 \$516 (2007 - \$427) over the respective lease terms at a credit-adjusted risk free rate of 5.26% (2007 - 5.26%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

## 11. Other revenue:

	2008	2007
Recoveries from other Health Authorities and government reporting entities	\$ 36	\$ -
Recoveries from sales of goods and services	133	161
Other	151	1
	\$ 320	\$ 162

## 12. Referred out and contracted services:

	2008	2007
Private contractors	4,946	4,858

## 13. Supplies:

	2008	2007
Drugs and medical gases	\$ 905	\$ 977
Food and dietary	758	807
Medical and surgical	53	57
Diagnostic	46	43
Printing, stationery and office	158	214
Housekeeping	9	12
Laundry and linen	33	33
Other	205	188
	\$ 2,167	\$ 2,331

## 14. Sundry:

	2008	2007
Communication and data processing	\$ 32	\$ 2
Travel	524	510
Professional fees	471	375
Other	400	355
	\$ 1,427	\$ 1,242



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2008

---

## 15. Statement of cash flows:

(a) Net change in non-cash operating items:

	2008	2007
Changes to non-cash operating items:		
Restricted cash	\$ (18)	\$ (6)
Accounts receivable	(1,058)	647
Inventories of materials and supplies	(19)	(9)
Accounts payable and accrued liabilities	928	(1,638)
Retirement allowance	(48)	(61)
	<hr/>	<hr/>
	\$ (215)	\$ (1,067)

(b) Interest:

Cash paid for interest on capital leases	\$ 12	\$ -
--	-------	------

## 16. Related party transactions:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by 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 other PHSA members:

For the year ended March 31, 2008, expenses includes \$457 (2007 - \$945) resulting from transactions with other PHSA members.

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

## 17. Comparative figures:

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