

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA MENTAL HEALTH
SOCIETY (RIVERVIEW) BRANCH**

Year ended March 31, 2007



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

We have audited the statement of financial position of British Columbia Mental Health Society (Riverview) Branch 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 Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Branch as at March 31, 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

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 569	\$ 228
Restricted cash (note 10(c))	111	139
Accounts receivable (note 3)	66,452	74,161
Inventory	429	562
	<u>67,561</u>	<u>75,090</u>
Capital assets, net (note 4)	3,218	4,505
	<u>\$ 70,779</u>	<u>\$ 79,595</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 42,005	\$ 50,774
Deferred contributions for designated purposes (note 6)	250	158
	<u>42,255</u>	<u>50,932</u>
Accrued sick and severance liabilities (note 7(a))	2,215	2,531
Other long-term benefit liabilities (note 7(c))	-	328
Deferred capital contributions (note 8)	3,281	4,792
	<u>47,751</u>	<u>58,583</u>
Net assets:		
Invested in capital assets (note 9(a))	91	195
Unrestricted	22,937	20,817
	<u>23,028</u>	<u>21,012</u>
Commitments and contingencies (note 10)		
	<u>\$ 70,779</u>	<u>\$ 79,595</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

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

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

	2007	2006
Revenue:		
Provincial Health Services Authority operating grants	\$ 75,189	\$ 101,222
Ministry of Health Operating Grant	135	-
Patient/client revenue (note 11)	1,356	1,522
Medical Services Commission	5,763	5,346
Other	1,606	1,584
Contribution for designated purposes (note 6)	736	802
	<u>84,785</u>	<u>110,476</u>
Expenses:		
Compensation and benefits (note 12)	61,338	86,547
Supplies	5,061	5,706
Sundry	5,280	4,654
Equipment and building services	9,800	8,427
Loss on disposal of capital assets	26	-
Referred-out/contracted services	450	616
Expenses for designated purposes (note 6)	736	802
	<u>82,691</u>	<u>106,752</u>
Excess of revenue over expenses before amounts related to capital assets	2,094	3,724
Amounts related to capital assets:		
Amortization of deferred capital contributions	1,555	1,208
Amortization of capital assets	(1,633)	(1,288)
	<u>(78)</u>	<u>(80)</u>
Excess of revenue over expenses	\$ 2,016	\$ 3,644

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

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	\$ 195	\$ 20,817	\$ 21,012	\$ 17,368
Excess (deficiency) of revenue over expenses	(78)	2,094	2,016	3,644
Net change in capital assets	(26)	26	-	-
Balance, end of year	\$ 91	\$ 22,937	\$ 23,028	\$ 21,012

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

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	\$ 2,016	\$ 3,644
Items not involving cash:		
Amortization of capital assets	1,633	1,288
Amortization of deferred capital contributions	(1,555)	(1,208)
Loss on disposal of capital assets	26	-
	2,120	3,724
<u>Changes in non-cash operating items (note 16)</u>	<u>(1,451)</u>	<u>(3,669)</u>
	669	55
Financing:		
Additions to deferred capital contribution	44	72
Unamortized deferred capital contributions relating to assets transferred from PHSA	-	1
	44	73
Investments:		
Purchase of capital assets (note 9(c))	(372)	(909)
<u>Net book value of capital assets transferred to from PHSA</u>	<u>-</u>	<u>(1)</u>
	(372)	(910)
Increase (decrease) in cash	341	(782)
Cash, beginning of year	228	1,010
<u>Cash, end of year</u>	<u>\$ 569</u>	<u>\$ 228</u>

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

1. Operations:

The British Columbia Mental Health Society (Riverview) Branch (the Branch) 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 Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's & Women's Health Centre of British Columbia Branch;
- Forensic Psychiatric Services Commission;
- 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 Branch is considered a continuation of the former Branch for financial reporting purposes.

The Branch provides mental health care services to British Columbians and is dependent on the Ministry of Health Services, through the Provincial Health Services Authority, to provide sufficient funding to continue operations, replace equipment and complete capital projects.

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

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, fair value of asset retirement obligations and the estimation of amounts which may become payable to retiring employees and accrued liabilities and related receivables resulting from implementing the Mental Health Plan. These financial statements do not include the assets, liabilities, revenue, and expenses of the Foundation of the Branch (note 14).

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Branch follows the deferral method of accounting for contributions which consist mainly of 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 a future year, it is deferred and recognized in that 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.

(c) Inventory:

Inventory, consisting of pharmaceutical and other supplies, 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 the straight-line basis over the assets' estimated useful lives at the following rates:

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 20 years

(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 multi-employer defined benefit plans and, accordingly, contributions are expensed.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

2. Significant accounting policies (continued):

(f) Asset retirement obligations:

The Branch 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. At this time, the Branch has determined that there are no significant asset retirement obligations with its assets or leases.

3. Accounts receivable:

	2007	2006
Provincial Health Services Authority	\$ 64,084	\$ 71,567
Medical Service Commission	946	1,314
Medical Services Plan	74	265
Research grants	160	-
Other	1,207	1,049
	66,471	74,195
Allowance for doubtful accounts	(19)	(34)
	\$ 66,452	\$ 74,161

4. Capital assets:

2007	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 1,872	\$ 1,424	\$ 448
Equipment	15,206	12,563	2,643
Construction in progress	127	-	127
	\$ 17,205	\$ 13,987	\$ 3,218

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

4. Capital assets (continued):

2006	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,844	\$ 2,840	\$ 1,004
Equipment	14,681	11,529	3,152
Construction in progress	349	-	349
	\$ 18,874	\$ 14,369	\$ 4,505

5. Accounts payable and accrued liabilities:

	2007	2006
Trade accounts payable and accrued liabilities	\$ 1,549	\$ 2,349
Patient trust funds	111	139
Accrued salaries and benefits payable	4,445	6,466
Accrued vacation payable	2,760	3,107
Accrued Mental Health Plan costs (note 12)	32,470	38,219
Current portion of accrued sick and severance liabilities (note 7(a))	670	494
	\$ 42,005	\$ 50,774

6. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of revenue and expenses when the related expenses are incurred.

	2007	2006
Balance, beginning of year	\$ 158	\$ 463
Amount received for designated purposes	828	497
Amount recognized as revenue	(736)	(802)
Balance, end of year	\$ 250	\$ 158

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

7. 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 Branch's liabilities are based on an actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

Information about employee sick and severance benefits is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ 182	\$ 85
Severance benefits	3,656	3,388
Total unfunded obligation	3,838	3,473
Balance of unamortized amounts	(953)	(448)
Accrued sick and severance liabilities	2,885	3,025
Current portion of sick and severance liabilities	670	494
Long-term portion of sick and severance liabilities	\$ 2,215	\$ 2,531
Sick and severance plan expense	\$ 401	\$ 407
Benefits paid	541	499

The significant actuarial assumptions adopted in measuring the Branch'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%

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Year ended March 31, 2007

7. Employee benefits (continued):

(b) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan and the Public Service 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 \$81 (2006 - \$38) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789,000 for pension benefits. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 140,000 active employees of which approximately 14 are employees of the Branch. The next required valuation will be as of December 31, 2006 with results available in 2007.

Employer contributions to the Public Service Pension Plan of \$3,748 (2006 - \$3,032) 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 885 are employees of the Branch. The next required valuation will be as of March 31, 2008.

(c) Other long-term benefit liabilities:

An actuarial review of the Public Sector Pension Plan was performed in 2000, which resulted in adjustments that are being amortized over seven years.

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Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts and unspent amounts of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expenses.

	2007	2006
Deferred capital contributions, beginning of year	\$ 4,792	\$ 5,927
Additional contributions received:		
Provincial Health Services Authority	44	62
Other	-	10
	44	72
Less:		
Amount amortized to revenue	1,555	1,208
Amount relating to capital assets transferred from PHSA	-	(1)
	1,555	1,207
Deferred capital contributions, end of year	\$ 3,281	\$ 4,792

The balance of deferred capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized deferred capital contributions used to purchase capital assets	\$ 3,127	\$ 4,310
Unspent contributions	154	482
	\$ 3,281	\$ 4,792

9. Invested in capital assets:

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

	2007	2006
Capital assets	\$ 3,218	\$ 4,505
Amount financed by deferred capital contributions	(3,127)	(4,310)
	\$ 91	\$ 195

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

9. Invested in capital assets (continued):

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

	2007	2006
Amortization of deferred capital contributions	\$ 1,555	\$ 1,208
Amortization of capital assets	(1,633)	(1,288)
	\$ (78)	\$ (80)

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

	2007	2006
Purchase of capital assets	\$ 372	\$ 909
Net book value of capital assets transferred from PHSA	-	1
Net book value of assets sold	(210)	-
	162	910
Amount funded by deferred capital contributions	(372)	(909)
Unamortized deferred capital contributions relating to assets transferred from PHSA	-	(1)
Net book value of assets sold	184	-
	(188)	(910)
	\$ (26)	\$ -

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

10. Commitments and contingencies:

(a) Operating lease commitments:

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

2008	\$ 6,650
2009	9
2010	4
2011	1
2012	-
	<hr/> \$ 6,664

The Branch 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 \$6,580 for lease payments to ARES for the year ending March 31, 2008.

(b) Legal contingencies:

In the ordinary course of the Branch's activities and the nature of these activities, there is potential or pending litigation at any given time. As at March 31, 2007, management believes the Branch 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 Branch'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.

(c) Patient funds in trust:

The Branch holds funds in trust for patients. The amount held in trust as at March 31, 2007 is \$111 (2006 - \$139).

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

11. Patient/client revenue:

	2007	2006
Patient/client revenue consists of:		
Medical Services Plan	\$ 231	\$ 462
Other Provincial Government	1,125	1,057
Self paying residents of British Columbia	-	3
	<u>\$ 1,356</u>	<u>\$ 1,522</u>

12. Compensation and benefits:

The Branch is in the process of implementing the Mental Health Plan approved by the Ministry of Health Services. The purpose of the plan is to decentralize mental health care services throughout British Columbia. The plan will be substantially completed in the coming years and will culminate in significant downsizing of the Branch's operations. The anticipated costs of the plan consist of severance, benefits and related expenses.

During the year ended March 31, 2004, the Ministry of Health Services agreed to fund, through the PHSA, the additional costs of providing employment security to certain employees of the Branch until the Mental Health Plan was fully implemented.

In the prior year, the financial statements included accruals for the compensation, benefits and employment security expenses and the related funding of \$38,219. As at March 31, 2007 management has revised the estimated accrual due to timing changes in implementing the Mental Health Plan and revisions related to job security resulting from new employment contracts. This has resulted in a decrease in the accrual of \$5,025. During the year, costs of \$724 related to the provision were incurred. The total remaining accrual of \$32,470 is recorded in Accrued Mental Health Plan costs. These amounts represent management's best estimate of the expenses required to implement the plan. However, other expenses may be incurred and recorded in future years as the plan is implemented.

13. Financial instruments:

The Branch's financial instruments include accounts receivable, accounts payable and accrued liabilities, and accrued sick and severance liabilities. It is management's opinion that the Branch is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, except for the fair value of accrued sick and severance liabilities which is disclosed in note 7(a).

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2007

14. Related entities:

The Branch has an economic interest in the BC Mental Health Foundation (the Foundation) which is responsible for fundraising activities for the Branch. The operations of the Foundation are not included in the financial statements of the Branch.

As at March 31, 2007, the Foundation held net assets of \$182 (2006 - \$90) to be used for research, patient care, education, and capital expenditures at the Branch. During the year, the Foundation granted \$53 (2006 - \$1) to the Branch to fund such expenditures.

15. Related party transactions:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by the 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 the other PHSA members listed in note 1:

For the year ended March 31, 2007, revenue includes \$nil (2006 - \$34) and expenses include \$16 (2006 - \$761) resulting from transactions with other PHSA members.

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

16. Cash flow supplemental information:

	2007	2006
Changes in non-cash operating items:		
Restricted cash	\$ 28	\$ 28
Accounts receivable	7,709	(17,512)
Inventory	133	25
Prepaid expenses	-	5
Accounts payable and accrued liabilities	(8,769)	14,819
Deferred contributions for designated purposes	92	(305)
Accrued sick and severance liabilities	(316)	1
Other long-term benefit liabilities	(328)	(730)
	\$ (1,451)	\$ (3,669)

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.