

Financial Statements  
(Expressed in thousands of dollars)

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

Years ended March 31, 2005 and 2004



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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, 2005 and the statements of operations, 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants

Vancouver, Canada

May 6, 2005

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statements of Financial Position  
(Expressed in thousands of dollars)

March 31, 2005 and 2004

	2005	2004
<b>Assets</b>		
Current assets:		
Cash	\$ 1,010	\$ 1,865
Restricted cash (note 10(c))	167	232
Accounts receivable (note 3)	56,649	65,503
Inventories	587	508
Prepaid expenses	5	850
	<u>58,418</u>	<u>68,958</u>
Capital assets, net (note 4)	4,883	8,600
	<u>\$ 63,301</u>	<u>\$ 77,558</u>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 35,955	\$ 48,896
Deferred contributions for designated purposes (note 6)	463	827
	<u>36,418</u>	<u>49,723</u>
Accrued sick and severance liabilities (note 7(a))	2,530	2,519
Other long-term benefit liabilities (note 2(f))	1,058	1,867
Deferred capital contributions (note 8)	5,927	9,908
	<u>45,933</u>	<u>64,017</u>
Net assets:		
Invested in capital assets (note 9(a))	275	460
Unrestricted	17,093	13,081
	<u>17,368</u>	<u>13,541</u>
	<u>\$ 63,301</u>	<u>\$ 77,558</u>

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statements of Operations  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
<b>Revenue:</b>		
Provincial Health Services Authority operating grants	\$ 76,613	\$ 112,984
Ministry of Health Services operating grants	527	496
Patient/client revenue (note 11)	758	720
Medical Services Commission	5,464	6,291
Investment income	-	500
Other	2,641	3,469
	<u>86,003</u>	<u>124,460</u>
<b>Expenses:</b>		
Compensation and benefits (note 12)	61,430	93,585
Supplies	6,570	7,302
Sundry	4,545	3,087
Equipment and building services	8,942	10,447
Referred-out/contracted services	608	904
	<u>82,095</u>	<u>115,325</u>
Excess of revenue over expenses before amounts related to capital assets	3,908	9,135
<b>Amounts related to capital assets:</b>		
Amortization of deferred capital contributions	1,114	4,556
Amortization of capital assets	(1,195)	(4,666)
	<u>(81)</u>	<u>(110)</u>
<b>Excess of revenue over expenses</b>	<b>\$ 3,827</b>	<b>\$ 9,025</b>

See accompanying notes to financial statements.

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

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

Years ended March 31, 2005 and 2004

	Invested in capital assets	Unrestricted	Total	
			2005	2004
Balance, beginning of year	\$ 460	\$ 13,081	\$ 13,541	\$ 4,516
Excess (deficiency) of revenue over expenses	(81)	3,908	3,827	9,025
Net change in capital assets (note 9(c))	(104)	104	-	-
Balance, end of year	\$ 275	\$ 17,093	\$ 17,368	\$ 13,541

See accompanying notes to financial statements.

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statements of Cash Flows  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,827	\$ 9,025
Items not involving cash:		
Amortization of capital assets	1,195	4,666
Amortization of deferred capital contributions	(1,114)	(4,556)
	3,908	9,135
Changes in non-cash operating items (note 13)	(4,418)	(33,458)
	(510)	(24,323)
Investments:		
Purchase of capital assets	(701)	(1,173)
Net disposal of short-term investments	-	24,147
Net book value of capital assets transferred to PHSA	3,223	-
	2,522	22,974
Financing:		
Additions to deferred capital contribution	252	2,155
Unamortized deferred capital contributions relating to assets transferred to PHSA	(3,119)	-
	(2,867)	2,155
Increase (decrease) in cash	(855)	806
Cash, beginning of year	1,865	1,059
Cash, end of year	\$ 1,010	\$ 1,865

See accompanying notes to financial statements.

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

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

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## **1. Operations:**

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. PHSA also includes the following members:

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; and  
Red Cross Outpost Hospitals

Effective December 31, 2001, the above noted branch societies 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.

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

The Branch 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.

## **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 and the estimation of amounts which may become payable to retiring employees. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

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## 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) Inventories:

Inventories, consisting of pharmaceutical and other supplies, are 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 (2004 - 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,

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

## 2. Significant accounting policies (continued):

### (f) Other long-term benefit liabilities:

Adjustments received in 2000, arising from an actuarial review of the Public Sector Pension Plan, are amortized over seven years.

### (g) 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 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).

### (h) Asset retirement obligations:

Effective April 1, 2004, the Branch adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations." This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Branch has determined that there are no significant asset retirement obligations with its assets.

### (i) Certain comparative figures have been reclassified to conform with classifications adopted in the current year.

## 3. Accounts receivable:

	2005	2004
Provincial Health Services Authority	\$ 54,086	\$ 61,920
Medical Service Commission	1,176	1,513
Medical Services Plan	235	205
Other	1,263	1,988
	56,760	65,626
Allowance for doubtful accounts	(111)	(123)
	\$ 56,649	\$ 65,503

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

#### 4. Capital assets:

2005	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,844	\$ 2,250	\$ 1,594
Equipment	14,225	10,936	3,289
	\$ 18,069	\$ 13,186	\$ 4,883

2004	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,844	\$ 1,660	\$ 2,184
Equipment	19,808	13,392	6,416
	\$ 23,652	\$ 15,052	\$ 8,600

#### 5. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable and accrued liabilities	\$ 2,930	\$ 3,760
Patient trust funds	167	232
Accrued salaries and benefits payable	6,005	6,513
Accrued vacation payable	3,253	3,639
Accrued Mental Health Plan costs (note 12)	23,012	34,100
Current portion of accrued sick and severance liabilities	588	652
	\$ 35,955	\$ 48,896

#### 6. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations for specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when they are spent.

	2005	2004
Balance, beginning of year	\$ 827	\$ 2,573
Amount received for designated purposes	163	-
Amount recognized as revenue	(527)	(496)
Amount transferred to deferred capital contributions	-	(1,250)
Balance, end of year	\$ 463	\$ 827

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

## 7. Employee benefits:

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

Certain employees with twenty years of service and having 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, 2003, updated to March 31, 2005. The next required valuation will be as of December 31, 2006.

Information about employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 134	\$ 205
Severance benefits	3,439	3,657
Total unfunded obligation	3,573	3,862
Balance of unamortized amounts	(455)	(691)
Accrued sick and severance liabilities	\$ 3,118	\$ 3,171
Sick and severance plan expense	\$ 452	\$ 522
Benefits paid	506	340

The current portion of accrued sick and severance liabilities of \$588 (2004 - \$652) is included in accounts payable and accrued liabilities.

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

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%
Benefit costs for the years ended March 31:		
Discount rate	5.75%	6.25%
Rate of compensation increase	3.25%	5.20%

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
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## 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, multiemployer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$20 (2004 - \$nil) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789,000. The plan covers approximately 128,000 active employees of which approximately 5 are employees of the Branch. The next required valuation will be as of December 31, 2006.

Employer contributions to the Public Service Pension Plan of \$3,430 (2004 - \$3,771) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2002 indicated a surplus of \$546,000. The plan covers approximately 51,000 active employees of which approximately 1,057 are employees of the Branch. The next required valuation will be as of March 31, 2005.

## 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 operations.

	2005	2004
Deferred capital contributions, beginning of year	\$ 9,908	\$ 12,309
Additional contributions received:		
Provincial Health Services Authority	252	905
Transfer from deferred contributions for designated purposes	-	1,250
	252	2,155
Less:		
Amount amortized to revenue	1,114	4,556
Amount relating to capital assets transferred to PHSA	3,119	-
	4,233	4,556
Deferred capital contributions, end of year	\$ 5,927	\$ 9,908

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
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Years ended March 31, 2005 and 2004

## 8. Deferred capital contributions (continued):

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

	2005	2004
Unamortized deferred capital contributions used to purchase capital assets	\$ 4,608	\$ 8,140
Unspent contributions	1,319	1,768
	\$ 5,927	\$ 9,908

## 9. Invested in capital assets:

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

	2005	2004
Capital assets	\$ 4,883	\$ 8,600
Amount financed by deferred capital contributions	(4,608)	(8,140)
	\$ 275	\$ 460

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

	2005	2004
Amortization of deferred capital contributions	\$ 1,114	\$ 4,556
Amortization of capital assets	(1,195)	(4,666)
	\$ (81)	\$ (110)

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

	2005	2004
Purchase of capital assets	\$ 701	\$ 1,173
Net book value of capital assets transferred to PHSA	(3,223)	-
	(2,522)	1,173
Amount funded by deferred capital contributions	(701)	(1,173)
Unamortized deferred capital contributions relating to assets transferred to PHSA	3,119	-
	2,418	(1,173)
	\$ (104)	\$ -

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
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Years ended March 31, 2005 and 2004

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## 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:

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Year ending March 31,	
2006	\$ 6,776
2007	60
2008	14
2009	5
2010	-
	<hr/>
	\$ 6,855

The Branch leases land and buildings under an operating lease with the British Columbia Buildings Corporation ("BCBC"). Lease payments are for base rent, operating expenses and maintenance costs. The terms and conditions are negotiated annually. Included in the above amounts is \$6,580 for lease payments to BCBC for the year ending March 31, 2006.

### (b) Legal contingencies:

The nature of the Branch's activities is such that there is litigation pending or in prospect at any time. With respect to unsettled claims at March 31, 2005, management believes the Branch has valid defenses and appropriate insurance coverage in place. 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.

Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program.

### (c) Patient funds in trust:

The Branch holds funds in trust for patients. The amount held in trust as at March 31, 2005 is \$167 (2004 - \$232).

# BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements  
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Years ended March 31, 2005 and 2004

## 11. Patient/client revenue:

	2005	2004
Patient/client revenue consists of:		
Medical Services Plan	\$ 528	\$ 661
Ministry of Family and Child Development	227	-
Residents of British Columbia - Self Pays	3	59
	<b>\$ 758</b>	<b>\$ 720</b>

## 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 over the next two 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 March 30, 2006.

These financial statements include accruals for the compensation, benefits and employment security expenses and the related funding of \$20,000 in 2003 and an additional \$14,100 in 2004. As at March 31, 2005 management has revised the estimated accrual due to timing changes in implementing the Mental Health Plan. This has resulted in a reduction of the accrual by \$9,400. During the year, costs of \$1,688 related to the provision were incurred. The total remaining accrual of \$23,012 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. Supplementary information:

	2005	2004
Changes in non-cash operating items:		
Restricted cash	\$ 65	\$ 63
Accounts receivable	8,854	(44,386)
Inventories	(79)	99
Prepaid expenses	845	(608)
Accounts payable and accrued liabilities	(12,941)	13,909
Deferred contributions for designated purposes	(364)	(1,746)
Accrued sick and severance liabilities	11	20
Other long-term benefit liabilities	(809)	(809)
	<b>\$ (4,418)</b>	<b>\$ (33,458)</b>

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

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

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## **14. Related entities:**

The Branch has an economic interest in the BC Mental Health Foundation (the "Foundation"). The Foundation is responsible for fundraising activities for the Branch.

As at March 31, 2005, the Foundation held net assets of \$141 (2004 - \$208) to be used for research, patient care, education and capital assets.

## **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, 2005, revenue includes \$475 (2004 - \$685) and expenses include \$820 (2004 - \$111) resulting from transactions with other PHSA members.

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