

Consolidated Financial Statements  
(Expressed in thousands of dollars)

**PROVINCIAL HEALTH SERVICES  
AUTHORITY**

Years ended March 31, 2004 and 2003



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## AUDITORS' REPORT

To the Board of Provincial Health Services Authority

We have audited the consolidated statement of financial position of Provincial Health Services Authority as at March 31, 2004 and the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 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, after giving retroactive effect to the change in accounting for sick and severance benefits and long-term disability benefits as described in note 9(a) and (b) to the consolidated financial statements.

*KPMG LLP*

Chartered Accountants

Vancouver, Canada  
May 10, 2004



# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Financial Position  
(Expressed in thousands of dollars)

March 31, 2004 and 2003

	2004	2003 (restated – note 9(a) and (b))
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 127,245	\$ 89,088
Restricted cash	232	295
Short-term investments (note 3)	11,363	51,055
Accounts receivable (note 4)	127,027	76,666
Inventories	11,654	12,920
Prepaid expenses	4,732	3,429
	<u>282,253</u>	<u>233,453</u>
Capital assets, net (note 5)	337,563	312,689
	<u>\$ 619,816</u>	<u>\$ 546,142</u>

## Liabilities and Net Assets (Deficiency)

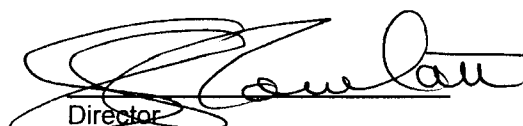
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 187,278	\$ 154,393
Deferred operating revenues	8,864	6,566
Deferred contributions for designated purposes (note 7)	34,499	26,797
Current portion of obligations under capital leases (note 8)	827	920
	<u>231,468</u>	<u>188,676</u>
Accrued sick and severance liabilities (note 9(a))	37,869	35,433
Accrued long-term disability liabilities (note 9(b))	4,428	4,644
Other long-term benefit liabilities	1,867	2,676
Obligations under capital leases (note 8)	708	1,788
Deferred capital contributions (note 10)	376,663	335,867
	<u>653,003</u>	<u>569,084</u>
Net assets (deficiency):		
Invested in capital assets (note 11(a))	8,726	8,409
Internally restricted	448	760
Unrestricted	(42,361)	(32,111)
	<u>(33,187)</u>	<u>(22,942)</u>
	<u>\$ 619,816</u>	<u>\$ 546,142</u>

Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

  
Director and Chair of the Board

  
Director

# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Operations  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
		(Restated – note 9(b))
Revenues:		
Contributions:		
Ministry of Health Services operating grants	\$ 880,086	\$ 838,067
BC Health Authority operating grants	78,500	80,897
Patient/client revenues (note 13)	27,508	28,136
Medical Services Commission	96,453	69,256
Investment income	3,487	3,114
Other revenues	35,328	36,668
Contributions for designated purposes	55,891	50,329
	<u>1,177,253</u>	<u>1,106,467</u>
Expenses:		
Compensation and benefits (note 14)	585,816	561,271
Supplies	204,083	175,617
Sundry	45,238	37,595
Equipment and building services	37,541	38,894
Referred-out/contracted services	255,457	229,290
Expenses for designated purposes	55,891	50,329
	<u>1,184,026</u>	<u>1,092,996</u>
Excess (deficiency) of revenues over expenses before amounts related to capital assets	(6,773)	13,471
Amortization of investment in capital assets:		
Amortization of deferred capital contributions	39,915	30,931
Amortization of capital assets	(43,387)	(33,303)
	<u>(3,472)</u>	<u>(2,372)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (10,245)</u>	<u>\$ 11,099</u>

See accompanying notes to consolidated financial statements.

# PROVINCIAL HEALTH SERVICES AUTHORITY

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

Years ended March 31, 2004 and 2003

	Invested in capital assets	Internally restricted	Unrestricted	Total 2004	Total 2003  (Restated – notes 9(a) and (b))
Balance, beginning of year	\$ 8,409	\$ 760	\$(26,829)	\$(17,660)	\$(31,904)
Accrued sick and severance liabilities (note 9(a))	-	-	(638)	(638)	(638)
Accrued long-term disability liabilities (note 9(b))	-	-	(4,644)	(4,644)	(1,499)
Balance, beginning of the year, as restated	8,409	760	(32,111)	(22,942)	(34,041)
Excess (deficiency) of revenues over expenses	(3,472)	-	(6,773)	(10,245)	11,099
Net change in capital assets (note 11(c))	3,789	(312)	(3,477)	-	-
Balance, end of year	\$ 8,726	\$ 448	\$(42,361)	\$(33,187)	\$(22,942)

See accompanying notes to consolidated financial statements.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Cash Flows  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
		(Restated – note 9(b))
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ (10,245)	\$ 11,099
Items not involving cash:		
Amortization of capital assets	43,387	33,303
Amortization of deferred capital contributions	(39,915)	(30,931)
	(6,773)	13,471
Changes in non-cash operating items (note 16)	(6,036)	24,098
	(12,809)	37,569
Investments:		
Purchase of capital assets	(68,261)	(51,705)
Net disposal (purchase) of short-term investments	39,692	(9,554)
	(28,569)	(61,259)
Financing:		
Additions to deferred capital contributions	80,711	75,451
Repayment of obligations under capital leases and loan	(1,176)	(751)
Reduction in long-term receivable	-	1,462
Additions to obligations under capital leases	-	401
	79,535	76,563
Increase in cash and cash equivalents	38,157	52,873
Cash and cash equivalents, beginning of year	89,088	36,215
Cash and cash equivalents, end of year	\$ 127,245	\$ 89,088

See accompanying notes to consolidated financial statements.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 1. Operations:

The Provincial Health Services Authority ("PHSA" or the "Authority") was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province wide health-care programs and services.

PHSA directly manages and governs selected provincial agencies and programs and is responsible for the services they provide. The agencies/programs of PHSA are:

- 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;
- Forensic Psychiatric Services Commission; and
- Red Cross Outpost Hospitals.

The Authority also has the responsibility for planning, coordinating, monitoring, evaluating, and in certain cases funding, a number of highly specialized health services to ensure access for all British Columbians.

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

PHSA is dependant on the Ministry of Health Services to provide sufficient funding to continue operations, replace equipment and complete capital projects.

## 2. Significant accounting policies:

### (a) Basis of presentation:

The consolidated 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.

These consolidated financial statements do not include the assets, liabilities, revenues and expenses of Foundations and Auxiliaries of the PHSA branches (see note 15).

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition:

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

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) Cash and cash equivalents:

The Authority considers all short-term investments with a term to maturity of three months or less at the date of purchase to be cash and cash equivalents.

### (d) Short-term investments:

Short-term investments include banker's acceptances, term deposits, and bonds and are recorded at the lower of cost and market value.

### (e) Inventories:

Inventories, consisting of materials, supplies and pharmaceuticals, are recorded at the lower of weighted average cost and market value.

### (f) 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:

Asset	Rate
Buildings	20 - 50 years
Leasehold improvements	Lease term to a maximum of 10 years
Equipment	3 - 20 years

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Assets acquired under capital leases are amortized over the lesser of the estimated lives of the assets and the lease terms.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 2. Significant accounting policies (continued):

### (g) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee sick and severance benefits and multiple-employer defined benefit plans as employees render services to earn the benefits. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees for sick and severance benefits.

Required contributions to multiemployer defined benefit plans are expensed.

### (h) Financial instruments:

The Authority's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities, accrued long term disability liabilities, and obligations under capital leases. It is management's opinion that the Authority 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 9(a).

### (i) Comparative figures:

Certain 2003 comparative figures have been reclassified to conform with the presentation adopted for 2004.

## 3. Short-term investments:

The carrying value of the short-term investments is \$11,363 (2003 - \$51,055), which approximates the market value.

## 4. Accounts receivable:

	2004	2003
BC Health Authorities	\$ 7,229	\$ 5,192
Ministry of Health Services	35,744	26,805
Medical Services Commission	44,712	14,714
Medical Services Plan	1,629	2,536
Government agencies	223	991
Research grants	6,742	7,524
Foundations (note 15)	12,281	5,813
Other	21,585	16,907
	130,145	80,482
Allowance for doubtful accounts	(3,118)	(3,816)
	\$ 127,027	\$ 76,666

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 5. Capital assets:

2004	Cost	Accumulated amortization	Net book value
Land	\$ 7,291	\$ -	\$ 7,291
Buildings	184,024	42,658	141,366
Leasehold improvements	66,263	35,769	30,494
Equipment	265,690	168,293	97,397
Equipment under capital leases	3,829	2,887	942
Construction-in-progress	60,073	-	60,073
	\$ 587,170	\$ 249,607	\$ 337,563

2003	Cost	Accumulated amortization	Net book value
Land	\$ 8,569	\$ -	\$ 8,569
Buildings	181,610	38,093	143,517
Leasehold improvements	58,567	28,406	30,161
Equipment	265,727	167,336	98,391
Equipment under capital leases	3,829	1,916	1,913
Construction-in-progress	25,404	-	25,404
Deposits on equipment	4,734	-	4,734
	\$ 548,440	\$ 235,751	\$ 312,689

The British Columbia Cancer Agency Branch is constructing a new research centre with a total estimated construction cost of \$95,000 of which \$40,593 (2003 - \$12,375) is included in capital assets as construction-in-progress. Funding for this project has been committed by the Canada Foundation for Innovation, British Columbia Knowledge Development Fund and BC Cancer Foundation.

## 6. Accounts payable and accrued liabilities:

	2004	2003
Trade accounts payable and accrued liabilities	\$ 86,199	\$ 66,485
Accrued salaries, wages and benefits payable	35,040	35,054
Accrued vacation payable	28,152	29,217
Accrued Mental Health Plan costs (note 14)	34,100	20,000
Current portion of accrued sick and severance liabilities	2,537	2,827
Patient trust funds	232	295
Other	1,018	515
	\$ 187,278	\$ 154,393

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 7. 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 operations when they are spent.

	2004	2003
Balance, beginning of year	\$ 26,797	\$ 21,226
Amount received for designated purposes	63,593	53,662
Transfer from deferred capital contributions	-	2,238
Amount recognized as revenue	(55,891)	(50,329)
<b>Balance, end of year</b>	<b>\$ 34,499</b>	<b>\$ 26,797</b>

## 8. Obligations under capital leases:

Certain branches lease equipment over terms which expire between fiscal years 2005 and 2007. The following is a schedule of minimum lease payments under fixed rate capital leases, together with the balance of the obligations.

	2004	2003
Year ending March 31,		
2004	\$ -	\$ 1,039
2005	900	1,044
2006	487	638
2007	251	251
<b>Total minimum lease payments</b>	<b>1,638</b>	<b>2,972</b>
Amount representing interest at a weighted average rate of 6.9% (2003 - 6.8%)	(103)	(264)
<b>Present value of capital lease payments</b>	<b>1,535</b>	<b>2,708</b>
<b>Current portion of obligations under capital leases</b>	<b>827</b>	<b>920</b>
<b>Long-term portion of obligations under capital leases</b>	<b>\$ 708</b>	<b>\$ 1,788</b>

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 9. Employee benefits:

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

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 collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. The Authority's liabilities are based on an actuarial valuation as at December 31, 2003.

Information about employee sick and severance benefits is as follows:

	2004	2003
Accrued benefit obligation:		
Sick leave benefits	\$ 10,178	\$ 11,361
Severance benefits	24,075	26,933
Total unfunded obligation	\$ 34,253	\$ 38,294
Accrued sick and severance liabilities	\$ 40,406	\$ 38,260
Sick and severance plan expense	\$ 5,046	\$ 5,143
Benefits paid	2,900	3,104

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

	2004	2003
Discount rate	5.75%	6.25%
Rate of compensation increase	3.9%	5.2%

Compensation levels are assumed to increase by 0.7% per year for the next three years and by 3.9% per year thereafter.

Accrued sick and severance liabilities as at March 31, 2002 were based on an actuarial valuation and were understated by \$638. The impact on these financial statements is to increase accrued sick and severance liabilities as at March 31, 2003 by \$638 and to decrease unrestricted net assets as at March 31, 2002 by \$638.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 9. Employee benefits (continued):

### (b) Employee healthcare benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially funded organizations. Contributions to the Trust of \$11,792 (2003 - \$11,379) were expensed during the year.

Effective March 31, 2004, the Trust was restructured from a multiemployer to a multiple-employer plan only with respect to long-term disability benefits initiated after September 30, 1997. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net liabilities are reflected in these consolidated financial statements. The impact of the restructuring has been accounted for on a retroactive basis resulting in the recognition of accrued long-term disability liabilities as at March 31, 2003 of \$4,644, an increase in compensation and benefits expense of \$3,145 for the year ended March 31, 2003 and a decrease in unrestricted net assets as at March 31, 2002 of \$1,499.

The Authority's liabilities are based on an actuarial valuation as at September 30, 2003, updated to December 31, 2003.

Information about the employee long-term disability benefits is as follows:

	2004	2003
Accrued benefit obligation	\$ 15,511	\$ 13,733
Fair value of plan assets	11,083	9,089
Net unfunded obligation	\$ 4,428	\$ 4,644
Accrued long-term disability liabilities	\$ 4,428	\$ 4,644

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability liabilities are as follows:

	2004	2003
Discount rate	7.5%	7.5%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of benefit increase	1.5%	1.5%

Benefit levels are assumed to remain unchanged for the next two years and to increase by 1.5% per year thereafter.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 9. Employee benefits (continued):

### (b) Employee healthcare benefits (continued):

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multiemployer plan. The most recent actuarial valuation for the plan at September 30, 2003 indicated a surplus of \$32. The plan covers approximately 79,000 active employees of which approximately 4,300 are employees of the Authority.

While the Trust has been restructured, the Authority and all other participating employers continue to be responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

### (c) Employee pension benefits:

The Authority 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 \$16,474 (2003 - \$16,630) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2000 indicated a surplus of \$436,000. The plan covers approximately 127,000 active employees of which approximately 5,970 are employees of the Authority.

Employer contributions to the Public Service Pension Plan of \$6,141 (2003 - \$5,979) 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 53,000 active employees of which approximately 1,780 are employees of the Authority.

## 10. 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.

	2004	2003
Deferred capital contributions, beginning of year	\$ 335,867	\$ 291,347
Additional contributions received:		
Ministry of Health Services	41,465	43,619
Foundations (note 15)	5,569	9,639
Other	35,649	24,431
Capital funding to other health authorities for provincial renal programs	(1,972)	-
Transfer to deferred contributions for designated purposes	-	(2,238)
Amount amortized to revenue	(39,915)	(30,931)
Deferred capital contributions, end of year	\$ 376,663	\$ 335,867

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 10. Deferred capital contributions (continued):

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

	2004	2003
Unamortized deferred capital contributions used to purchase capital assets	\$ 327,291	\$ 301,558
Unspent contributions	49,372	34,309
	<u>\$ 376,663</u>	<u>\$ 335,867</u>

## 11. Invested in capital assets:

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

	2004	2003
Capital assets	\$ 337,563	\$ 312,689
Amounts financed by:		
Deferred capital contributions	(327,291)	(301,558)
Obligations under capital leases	(1,535)	(2,708)
Unsecured loan	(11)	(14)
	<u>\$ 8,726</u>	<u>\$ 8,409</u>

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

	2004	2003
Amortization of deferred capital contributions	\$ 39,915	\$ 30,931
Amortization of capital assets	(43,387)	(33,303)
	<u>\$ (3,472)</u>	<u>\$ (2,372)</u>

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

	2004	2003
Purchase of capital assets	\$ 68,261	\$ 51,705
Amounts funded by:		
Deferred capital contributions	(65,648)	(47,128)
Obligations under capital leases	-	(401)
Repayment of obligations under capital leases and loan	1,176	751
	<u>\$ 3,789</u>	<u>\$ 4,927</u>

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 12. Commitments and contingencies:

### (a) Operating lease commitments:

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

2005	\$	24,096
2006		1,880
2007		1,507
2008		946
2009		635
	\$	29,064

British Columbia Mental Health Society (Riverview) Branch, British Columbia Centre for Disease Control and Prevention Society Branch and Forensic Psychiatric Services Commission lease 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 \$ 21,895 for lease payments to BCBC for the year ending March 31, 2005.

### (b) Legal contingencies:

The nature of the Authority's activities is such that there is litigation pending or in prospect at any time. With respect to unsettled claims at March 31, 2004, management believes the Authority 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 Authority's financial position.

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

## 13. Patient/client revenues:

	2004	2003
Patient/client revenues consist of:		
Medical Services Plan	\$ 18,762	\$ 19,873
Other Provincial Government	2,002	2,098
Non-residents of British Columbia	4,085	3,168
Non-residents of Canada	775	1,364
Residents of British Columbia - Self Pays	1,346	1,465
Other	538	168
	\$ 27,508	\$ 28,136

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 14. Compensation and benefits:

The Authority 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 three years and will culminate in significant downsizing of the operations of British Columbia Mental Health Society (Riverview) Branch (the "Branch"). 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 the additional costs of providing employment security to certain employees of the Branch until March 30, 2006.

These consolidated 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. 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.

## 15. Related entities:

Foundations and Auxiliaries:

The following branches of the Authority have an economic interest in the Foundations and Auxiliaries listed under them:

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British Columbia Cancer Agency Branch:

BC Cancer Foundation

British Columbia Transplant Society Branch:

British Columbia Transplant Foundation

Children's & Women's Health Centre of British Columbia Branch:

British Columbia's Children's Hospital Foundation

Sunny Hill Foundation for Children

British Columbia's Women's Hospital and Health Centre Foundation

The Auxiliary to British Columbia's Children's Hospital

British Columbia's Women's Hospital and Health Centre Auxiliary

Auxiliary to Sunny Hill Centre for Children

British Columbia Mental Health Society (Riverview) Branch

Riverview Hospital Foundation

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As at March 31, 2004, the Foundations and Auxiliaries held net assets of \$ 102,161 (2003 - \$98,022). During the year ended March 31, 2004, the Foundations granted \$ 27,047 (2003 - \$22,996) to their affiliated branches to fund certain expenditures.

# PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 16. Supplementary information:

	2004	2003
Changes in non-cash operating items:		
Restricted cash	\$ 63	\$ 74
Accounts receivable	(50,361)	(781)
Inventories and prepaid expenses	(37)	(3,819)
Accounts payable and accrued liabilities	32,888	20,199
Deferred operating revenues	2,298	(1,809)
Deferred contributions for designated purposes	7,702	5,571
Accrued sick and severance liabilities	2,436	2,276
Accrued long-term disability liabilities	(216)	3,145
Other long-term benefit liabilities	(809)	(758)
	\$ (6,036)	\$ 24,098

## 17. Subsequent event:

Children's & Women's Health Centre of British Columbia Branch operates facilities on Oak Street in Vancouver, B.C. On April 22, 2004, the Province of British Columbia granted to the branch the land and premises situated at this location. The grant is subject to section 48 of the Hospital Act which includes restrictions on certain structural alterations and on any lease or transfer of the granted assets.

The grant for land will be recorded in capital assets and net assets invested in capital assets at the estimated fair value of the land. The grant for premises that were not purchased by the branch and have not been included in these consolidated financial statements will be recorded in capital assets and deferred capital contributions at the estimated fair value of such premises.