

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA CENTRE
FOR DISEASE CONTROL
AND PREVENTION SOCIETY BRANCH**

Years ended March 31, 2004 and 2003



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

We have audited the statement of financial position of the British Columbia Centre for Disease Control and Prevention Society Branch as at March 31, 2004 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, 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.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 10, 2004



BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 169	\$ 954
Short-term investments (note 3)	1,049	5,023
Accounts receivable (note 4)	11,362	6,707
Inventories	3,539	2,668
Prepaid expenses	890	243
	<u>17,009</u>	<u>15,595</u>
Capital assets, net (note 5)	4,510	4,714
	<u>\$ 21,519</u>	<u>\$ 20,309</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 8,829	\$ 6,655
Deferred contributions for designated purposes (note 7)	1,063	4,319
Current portion of obligation under capital lease (note 8)	-	148
	<u>9,892</u>	<u>11,122</u>
Accrued sick and severance liabilities (note 9(a))	1,385	1,297
Obligation under capital lease (note 8)	-	253
Deferred capital contributions (note 10)	4,533	4,330
	<u>15,810</u>	<u>17,002</u>
Net assets:		
Invested in capital assets (note 11(a))	-	5
Unrestricted	5,709	3,302
	<u>5,709</u>	<u>3,307</u>
	<u>\$ 21,519</u>	<u>\$ 20,309</u>


Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statements of Operations
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
Revenues:		
Provincial Health Services Authority operating grants	\$ 67,786	\$ 52,095
Medical Services Commission	2,596	521
Investment income	249	242
Other revenue	2,886	2,240
Contributions for designated purposes	1,812	3,227
	<u>75,329</u>	<u>58,325</u>
Expenses:		
Compensation and benefits	24,060	20,033
Supplies	33,421	21,361
Sundry	9,760	8,423
Equipment and building services	885	1,098
Referred-out / contracted services	2,887	3,277
Expenses for designated purposes	1,812	3,227
	<u>72,825</u>	<u>57,419</u>
Excess of revenues over expenses before amounts related to capital assets	2,504	906
Amounts related to capital assets:		
Amortization of deferred capital contributions	606	852
Amortization of capital assets	(708)	(875)
	<u>(102)</u>	<u>(23)</u>
Excess of revenues over expenses	\$ 2,402	\$ 883

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

Years ended March 31, 2004 and 2003

	Invested in capital assets	Unrestricted	Total	
			2004	2003
Balance, beginning of year	\$ 5	\$ 3,302	\$ 3,307	\$ 2,424
Excess (deficiency) of revenues over expenses	(102)	2,504	2,402	883
Net change in capital assets (note 11(c))	97	(97)	-	-
Balance, end of year	\$ -	\$ 5,709	\$ 5,709	\$ 3,307

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statements of Cash Flows

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 2,402	\$ 883
Items not involving cash:		
Amortization of capital assets	708	875
Amortization of deferred capital contributions	(606)	(852)
	2,504	906
Changes in non-cash operating items (note 13)	(7,167)	(587)
	(4,663)	319
Investments:		
Purchase of capital assets	(504)	(1,016)
Net disposal (purchase) of short-term investments	3,974	(11)
	3,470	(1,027)
Financing:		
Additions to deferred capital contributions	809	637
Additions to (payment of) obligation under capital lease	(401)	401
Reduction of long-term receivable	-	439
	408	1,477
Increase (decrease) in cash	(785)	769
Cash, beginning of year	954	185
Cash, end of year	\$ 169	\$ 954

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

1. Operations:

British Columbia Centre for Disease Control and Prevention Society Branch (the "Branch") is a member of the Provincial Health Service 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 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

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 was formed for the purpose of detection, prevention and control of disease in the province of British Columbia and the provision of specialty health support services in the province. Activities of the Branch include ongoing surveillance and analysis of communicable diseases within the province; development of immunization programs and distribution of vaccines and pharmaceuticals; operation of clinics for testing of communicable diseases; provision of diagnostic and consultative services to other health care providers in the province; and provision of training and education to healthcare providers and the public.

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 CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

2. Significant accounting policies (continued):

(b) Revenue recognition:

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

Operating grants are recorded as revenue in the year to which they relate. Grants approved but not yet received at the end of the year are accrued. Where a portion of a grant relates to 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) Short-term investments:

Short-term investments are recorded at the lower of cost and market value.

(d) Inventories:

Inventories, consisting of biological, pharmaceutical and other supplies, are recorded at the lower of weighted average cost and market value.

(e) Capital assets:

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

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 -15 years

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

2. Significant accounting policies (continued):

(f) Employee future benefits:

Liabilities are recorded for employee sick and severance benefits 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.

Required contributions to multiemployer defined benefit plans are expensed.

(g) Financial instruments:

The Branch's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance liabilities, and the obligation under capital lease. 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 9 (a).

3. Short-term investments:

The carrying value of the short-term investments is \$1,049 (2003 - \$5,023), which approximates the market value.

4. Accounts receivable:

	2004	2003
Provincial Health Services Authority	\$ 9,352	\$ 4,642
Medical Services Commission	147	48
Federal Government agencies	-	981
Other	1,863	1,036
	<u>\$ 11,362</u>	<u>\$ 6,707</u>

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

5. Capital assets:

2004	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 2,914	\$ 378	\$ 2,536
Equipment	5,805	3,831	1,974
	\$ 8,719	\$ 4,209	\$ 4,510

2003	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 2,847	\$ 235	\$ 2,612
Equipment	5,371	3,269	2,102
	\$ 8,218	\$ 3,504	\$ 4,714

6. Accounts payable and accrued liabilities:

	2004	2003
Trade accounts payable and accrued liabilities	\$ 6,710	\$ 5,185
Accrued salaries and benefits payable	1,094	587
Accrued vacation payable	892	771
Current portion of accrued sick and severance liabilities	133	112
	\$ 8,829	\$ 6,655

7. 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.

	2004	2003
Balance, beginning of year	\$ 4,319	\$ 344
Amount received for designated purposes	2,549	7,202
Amounts recognized as revenue:		
Operating grants revenue	(3,993)	—
Contributions for designated purposes revenue	(1,812)	(3,227)
Balance, end of year	\$ 1,063	\$ 4,319

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

8. Obligation under capital lease:

At March 31, 2003, the Branch leased computer equipment under a capital lease. The total obligation amounted to \$401, of which \$148 was included in current liabilities. During 2004, the lease obligation was fully paid.

9. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with ten 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.

Information about employee sick and severance benefits is as follows:

	2004	2003
Accrued benefit obligation:		
Sick leave benefits	\$ 668	\$ 428
Severance benefits	956	992
Total unfunded obligation	\$ 1,624	\$ 1,420
Accrued sick and severance liabilities	\$ 1,518	\$ 1,409
Sick and severance plan expense	\$ 201	\$ 191
Benefits paid	92	132

The significant actuarial assumptions adopted in measuring the Branch'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.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
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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 Branch and other provincially funded organizations. Contributions to the Trust of \$651 (2003 - \$596) were expensed during the year.

Effective March 31, 2004, the Trust was restructured at the health authority level from a multiemployer to a multiple-employer plan only with respect to long-term disability benefits initiated after September 30, 1997. Assets and liabilities for these long-term disability benefits have been segregated for the PHSA, but not for individual branches of the PHSA. Accordingly, the Branch participates in a multiemployer defined benefit plan for long-term disability benefits that is now restricted to members of the PHSA. The most recent actuarial valuation for the PHSA plan at September 30, 2003 indicated an unfunded actuarial liability of \$5,649. The PHSA plan covers approximately 3,000 active employees of which approximately 300 are employees of the Branch.

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 300 are employees of the Branch.

(c) 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 \$183 (2003 - \$225) 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 130 are employees of the Branch.

Employer contributions to the Public Service Pension Plan of \$886 (2003 - \$701) 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 180 are employees of the Branch.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2004 and 2003

10. Deferred capital contributions:

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

	2004	2003
Deferred capital contributions, beginning of year	\$ 4,330	\$ 4,545
Additional contributions received:		
Provincial Health Services Authority	617	561
Other	192	76
Amount amortized to revenue	(606)	(852)
Deferred capital contributions, end of year	\$ 4,533	\$ 4,330

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	\$ 4,510	\$ 4,308
Unspent contributions	23	22
	\$ 4,533	\$ 4,330

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2004 and 2003

11. Invested in capital assets:

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

	2004	2003
Capital assets	\$ 4,510	\$ 4,714
Amounts financed by:		
Deferred capital contributions	(4,510)	(4,308)
Obligation under capital lease	-	(401)
	\$ -	\$ 5

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

	2004	2003
Amortization of deferred capital contributions	\$ 606	\$ 852
Amortization of capital assets	(708)	(875)
	\$ (102)	\$ (23)

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

	2004	2003
Purchase of capital assets	\$ 504	\$ 1,016
Amounts funded by:		
Deferred capital contributions	(808)	(615)
Obligation under capital lease	-	(401)
Payment of obligation under capital lease	401	-
	\$ 97	\$ -

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

12. Commitments and contingencies:

(a) Operating lease commitments:

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

2005	\$ 6,234
2006	70
2007	61
2008	57
2009	43
	<hr/>
	\$ 6,465

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 \$ 6,122 for lease payments to BCBC for the year ending March 31, 2005.

(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, 2004, 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.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

13. Supplementary information:

	2004	2003
Changes in non-cash operating items:		
Accounts receivable	\$ (4,655)	\$ (3,360)
Inventories and prepaid expenses	(1,518)	(315)
Accounts payable and accrued liabilities	2,174	(930)
Deferred contributions for designated purposes	(3,256)	3,975
Accrued sick and severance liabilities	88	43
	\$ (7,167)	\$ (587)

14. 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:

- (a) For the year ended March 31, 2004, revenues include \$ 98 (2003 - \$91) and expenses include \$ 106 (2003 - \$56) resulting from transactions with other PHSA members.
- (b) At March 31, 2004, accounts receivable include nil (2003 - \$28) resulting from transactions with other PHSA members.

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