

Financial Statements
(Expressed in thousands of dollars)

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

Years ended March 31, 2004 and 2003



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

Telephone (604) 691-3000
Telefax (604) 691-3031
www.kpmg.ca

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, 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.

Chartered Accountants

Vancouver, Canada
May 10, 2004



BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 1,865	\$ 1,059
Restricted cash (note 11(b))	232	295
Short-term investments (note 3)	-	24,147
Accounts receivable (note 4)	65,503	21,117
Inventories	508	607
Prepaid expenses	850	242
	<u>68,958</u>	<u>47,467</u>
Capital assets, net (note 5)	8,600	12,093
	<u>\$ 77,558</u>	<u>\$ 59,560</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 48,896	\$ 34,987
Deferred contributions for designated purposes (note 7)	827	2,573
	<u>49,723</u>	<u>37,560</u>
Accrued sick and severance liabilities (note 8(a))	2,519	2,499
Other long-term benefit liabilities (note 2(g))	1,867	2,676
Deferred capital contributions (note 9)	9,908	12,309
	<u>64,017</u>	<u>55,044</u>
Net assets:		
Invested in capital assets (note 10(a))	460	570
Unrestricted	13,081	3,946
	<u>13,541</u>	<u>4,516</u>
	<u>\$ 77,558</u>	<u>\$ 59,560</u>

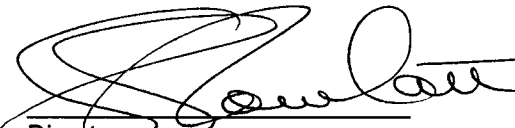
Commitments and contingencies (note 11)

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, 2004 and 2003

	2004	2003
Revenues:		
Provincial Health Services Authority operating grants	\$ 113,480	\$ 122,430
Patient/client revenues (note 12)	720	1,052
Medical Services Commission	6,291	6,107
Investment income	500	597
Other revenues	3,469	3,586
	<u>124,460</u>	<u>133,772</u>
Expenses:		
Compensation and benefits (note 13)	93,585	103,314
Supplies	7,302	8,214
Sundry	3,087	2,217
Equipment and building services	10,447	10,834
Referred-out/contracted services	904	886
	<u>115,325</u>	<u>125,465</u>
Excess of revenues over expenses before amounts related to capital assets	9,135	8,307
Amounts related to capital assets:		
Amortization of deferred capital contributions	4,556	2,568
Amortization of capital assets	(4,666)	(2,568)
	<u>(110)</u>	<u>-</u>
Excess of revenues over expenses	<u>\$ 9,025</u>	<u>\$ 8,307</u>

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, 2004 and 2003

	Invested in capital assets	Unrestricted	Total 2004	Total 2003
Balance, beginning of year	\$ 570	\$ 3,946	\$ 4,516	\$ (3,791)
Excess (deficiency) of revenues over expenses	(110)	9,135	9,025	8,307
Balance, end of year	\$ 460	\$ 13,081	\$ 13,541	\$ 4,516

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, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 9,025	\$ 8,307
Items not involving cash:		
Amortization of capital assets	4,666	2,568
Amortization of deferred capital contributions	(4,556)	(2,568)
	9,135	8,307
Changes in non-cash operating items (note 14)	(33,458)	(4,572)
	(24,323)	3,735
Investments:		
Purchase of capital assets	(1,173)	(3,724)
Net disposal (purchase) of short-term investments	24,147	(3,145)
	22,974	(6,869)
Financing:		
Additions to deferred capital contributions	2,155	3,939
Increase in cash	806	805
Cash, beginning of year	1,059	254
Cash, end of year	\$ 1,865	\$ 1,059

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, 2004 and 2003

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. 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, 2004 and 2003

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) Short-term investments:

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

(d) Inventories:

Inventories, consisting of 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 the straight-line basis over the assets' estimated useful lives at the following rates:

Assets	Rate
Leasehold improvements	Lease term
Equipment	3 - 20 years

(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.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

2. Significant accounting policies (continued):

(g) 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.

(h) 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 8(a).

3. Short-term investments:

The carrying value of the short-term investments is nil (2003 - \$24,147), which approximates the market value.

4. Accounts receivable:

	2004	2003
Provincial Health Services Authority	\$ 61,920	\$ 18,616
Medical Service Commission	1,513	541
Medical Services Plan	205	82
Other	1,988	2,025
	65,626	21,264
Allowance for doubtful accounts	(123)	(147)
	\$ 65,503	\$ 21,117

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) 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	\$ 3,844	\$ 1,660	\$ 2,184
Equipment	19,808	13,392	6,416
	\$ 23,652	\$ 15,052	\$ 8,600

2003	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,192	\$ 430	\$ 2,762
Equipment	27,152	17,821	9,331
	\$ 30,344	\$ 18,251	\$ 12,093

6. Accounts payable and accrued liabilities:

	2004	2003
Trade accounts payable and accrued liabilities	\$ 3,760	\$ 3,150
Patient trust funds	232	295
Accrued salaries and benefits payable	4,346	5,081
Accrued vacation payable	5,806	5,971
Accrued Mental Health Plan costs (note 13)	34,100	20,000
Current portion of accrued sick and severance liabilities	652	490
	\$ 48,896	\$ 34,987

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to 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 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	\$ 2,573	\$ 4,211
Amount received for designated purposes	-	2,380
Amount recognized as revenue	(496)	(1,057)
Amount transferred to deferred capital contributions	(1,250)	(2,961)
Balance, end of year	\$ 827	\$ 2,573

8. 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.

Information about employee sick and severance benefits is as follows:

	2004	2003
Accrued benefit obligation:		
Sick leave benefits	\$ 205	\$ 183
Severance benefits	3,657	3,597
Total unfunded obligation	\$ 3,862	\$ 3,780
Accrued sick and severance liabilities	\$ 3,171	\$ 2,989
Sick and severance plan expense	\$ 522	\$ 470
Benefits paid	340	687

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 MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

8. Employee benefits (continued):

(b) Employee pension benefits:

The Branch and its employees contribute to the Public Service Pension Plan, a multiemployer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*. Employer contributions to the Public Service Pension Plan of \$3,771 (2003 - \$3,917) 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 1,100 are employees of the Branch.

9. 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	\$ 12,309	\$ 10,938
Additional contributions received:		
Provincial Health Services Authority	905	978
Transfer from deferred contributions for designated purposes	1,250	2,961
Amount amortized to revenue	(4,556)	(2,568)
Deferred capital contributions, end of year	\$ 9,908	\$ 12,309

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	\$ 8,140	\$ 11,523
Unspent contributions	1,768	786
	\$ 9,908	\$ 12,309

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

10. Invested in capital assets:

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

	2004	2003
Capital assets	\$ 8,600	\$ 12,093
Amount financed by deferred capital contributions	(8,140)	(11,523)
	\$ 460	\$ 570

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

	2004	2003
Amortization of deferred capital contributions	\$ 4,556	\$ 2,568
Amortization of capital assets	(4,666)	(2,568)
	\$ (110)	\$ -

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

	2004	2003
Purchase of capital assets	\$ 1,173	\$ 3,724
Amounts funded by deferred capital contributions	(1,173)	(3,154)
	\$ -	\$ 570

11. Commitments and contingencies:

(a) Operating lease commitments:

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. The lease payments to BCBC for the year ending March 31, 2005 are estimated to be \$ 8,280.

(b) Patient funds in trust:

The Branch holds funds in trust for patients. The amount held in trust as at March 31, 2004 is \$232 (2003 - \$295).

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

11. Commitments and contingencies (continued):

(c) 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.

12. Patient/client revenues:

	2004	2003
Medical Services Plan	\$ 661	\$ 865
Residents of British Columbia - self pays	59	187
	\$ 720	\$ 1,052

13. 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 three 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. 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.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

14. Supplementary information:

	2004	2003
Changes in non-cash operating items:		
Restricted cash	\$ 63	\$ 74
Accounts receivable	(44,386)	(16,825)
Inventories	99	165
Prepaid expenses	(608)	(93)
Accounts payable and accrued liabilities	13,909	14,733
Deferred contributions for designated purposes	(1,746)	(1,637)
Accrued sick and severance liabilities	20	(231)
Other long-term benefit liabilities	(809)	(758)
	<u>\$ (33,458)</u>	<u>\$ (4,572)</u>

15. Related parties:

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 other PHSA members listed in note 1:

- (a) For the year ended March 31, 2004, revenues include \$709 (2003 - \$410) and expenses include \$111 (2003 - \$175) resulting from transactions with other PHSA members. In addition, expenses include \$150 for a donation to Riverview Foundation.
- (b) At March 31, 2004, accounts receivable include nil (2003 - \$182) and accounts payable include nil (2003 - \$44) resulting from transactions with other PHSA members.

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