

Financial Statements
(Expressed in thousands of dollars)

**BRITISH COLUMBIA CANCER
AGENCY BRANCH**

Year ended March 31, 2010



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AUDITORS' REPORT

To the Board of British Columbia Cancer Agency Branch

We have audited the statement of financial position of the British Columbia Cancer Agency Branch as at March 31, 2010 and the statement of operations, changes in net assets (deficiency) 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, 2010 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 period.

Chartered Accountants

Vancouver, Canada

April 30, 2010

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 1,966	\$ 1,625
Accounts receivable (note 3)	48,268	34,070
Inventories (note 4)	8,812	6,699
Prepaid expenses	1,658	1,656
	<u>60,704</u>	<u>44,050</u>
Capital assets (note 5)	307,280	276,697
	<u>\$ 367,984</u>	<u>\$ 320,747</u>

Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 72,085	\$ 56,146
Deferred contributions for designated purposes (note 7)	16,813	16,400
Current portion of retirement allowance (note 8(a))	1,572	1,092
	<u>90,470</u>	<u>73,638</u>
Retirement allowance (note 8(a))	14,931	14,889
Asset retirement obligations (note 11(c))	153	146
Long-term debt (note 9)	13,365	-
Deferred capital contributions (note 10)	265,717	248,501
	<u>384,636</u>	<u>337,174</u>
Net assets (deficiency):		
Invested in capital assets (note 11(a))	28,198	28,196
Unrestricted	(44,850)	(44,623)
	<u>(16,652)</u>	<u>(16,427)</u>
	<u>\$ 367,984</u>	<u>\$ 320,747</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 CANCER AGENCY BRANCH

Statement of Operations

(Expressed in thousands of dollars)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenues:		
Provincial Health Services Authority contributions	\$ 335,817	\$ 298,012
Medical Services Plan	71,018	56,075
Other contributions (note 13)	3,434	7,448
Amortization of deferred capital contributions	21,938	20,476
Other (note 14)	7,070	5,694
Patients, clients and residents (note 15)	2,635	2,086
Research and designated contributions	52,586	51,236
	<u>494,498</u>	<u>441,027</u>
Expenses:		
Compensation and benefits	196,512	170,157
Referred-out and contracted services (note 16)	103,901	100,332
Supplies (note 17)	95,320	80,696
Amortization of capital assets	21,938	20,511
Equipment and building services	17,041	10,557
Sundry (note 18)	7,419	10,632
Accretion of asset retirement obligations (note 12(c))	6	6
Research and designated expenses	52,586	51,236
	<u>494,723</u>	<u>444,127</u>
Deficiency of revenues over expenses	\$ (225)	\$ (3,100)

See accompanying notes to financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Changes in Net Assets (Deficiency)
(Expressed in thousands of dollars)

Year ended March 31, 2010, with comparative figures for 2009

	Invested in capital assets	Unrestricted	Total	
			2010	2009
Balance, beginning of year	\$ 28,196	\$ (44,623)	\$ (16,427)	\$ (13,327)
Deficiency of revenues over expenses	-	(225)	(225)	(3,100)
Net change in capital assets (note 11(c))	2	(2)	-	-
Balance, end of year	\$ 28,198	\$ (44,850)	\$ (16,652)	\$ (16,427)

See accompanying notes to financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash flows from operating activities:		
Deficiency of revenues over expenses	\$ (225)	\$ (3,100)
Items not involving cash:		
Amortization of capital assets	21,938	20,511
Amortization of deferred capital contributions	(21,938)	(20,476)
Accretion of asset retirement obligations	6	6
Retirement allowance expense	1,162	1,482
Net change in non-cash operating items (note 19)	39	25,085
	982	23,508
Cash flows from investing activities:		
Purchase of capital assets	(39,155)	(58,143)
Cash flows from financing activities:		
Capital contributions	39,154	31,569
Retirement allowance benefits paid	(640)	(747)
	38,514	30,822
Increase (decrease) in cash	341	(3,813)
Cash, beginning of year	1,625	5,438
Cash, end of year	\$ 1,966	\$ 1,625

See accompanying notes to financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

The British Columbia Cancer Agency Branch (the Branch) is a branch society of the Provincial Health Services Authority (PHSA or the Authority) which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health Services and is one of six Health Authorities in British Columbia. The Branch is dependent on the Ministry of Health Services to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

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;
Women's Health Research Institute Society;
Mental Health and Addictions Research Institute; and
Cardiac Services British Columbia.

Effective December 31, 2001, the above noted branch societies except for the Women's Health and Research Institute and the Mental Health and Addictions Research Institute were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

The Branch provides a comprehensive cancer control program to all British Columbians, which includes prevention and early detection, treatment, and related education and research. This program is provided through the specialized facilities of the Vancouver Cancer Centre, the Fraser Valley Cancer Centre, the Vancouver Island Cancer Centre, and the Cancer Centre for the Southern Interior, as well as decentralized programs for patient care. The Branch is also responsible for the operating activities of the British Columbia Cancer Research Centre.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

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

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Under the *Health Insurance Act and Regulations* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry of Health Services.

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 period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated.

(c) Asset and service contributions:

Volunteers contribute a significant amount of time each year to assist the Branch in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

(d) Inventories:

Inventories, consisting of medical/surgical supplies, drugs and other materials and supplies, are recorded at the lower of weighted average cost and replacement cost. If there is any subsequent increase in the value of inventories following a write-down, a reversal of the previous write-down will be recorded.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Branch records depreciation on its assets on a straight-line basis over the useful life of the assets as follows:

Buildings	20 - 50 years
Leased buildings	50 years
Leasehold improvements	Lease term to a maximum of 20 years
Building service equipment	15 - 20 years
Equipment	3 - 20 years
Software licence fees	3 - 5 years

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations 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). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. 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 entitled to retirement allowance benefits is 10 years (2009 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(g) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of depreciation of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits. Actual results could differ from the estimates.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(i) Financial instruments:

The Branch has designated all non-derivative financial assets and liabilities as held for trading with the exception of certain obligations designated as other liabilities and receivables which are designated as held to maturity.

- The Branch initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held for trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities which include the Branch's accrued retirement allowance liabilities are recorded at amortized cost.
- All transaction costs incurred on receivables and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are re-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of the transaction that received hedge accounting.

The Branch has elected to defer applying the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3862, *Financial Instruments - Disclosure* and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(j) Capitalization of public private partnership project:

The Branch's public-private partnership project (P3) is delivered by the private sector partner (Plenary Health Prince George GP (Plenary Health)) selected to design, build, finance, and maintain the asset. The project is for the BC Cancer Agency Centre for the North in Prince George. The cost of the asset is estimated at fair value, based on progress billings verified by an independent verifier, and also includes costs incurred by the Branch. Included in the asset costs are development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the Project Agreement. Interest incurred during construction is also included in the asset cost and is calculated on the P3 asset value less contributions paid during the construction term. The interest rate used is 8.37%.

Correspondingly, an obligation net of the Branch's funding payments made during the construction period is recorded as a liability and included in long-term debt. The obligation will be met as part of periodic payments over the term of the Project Agreement.

Upon substantial completion, the private sector partner will receive periodic payments to cover operating costs, financing costs and a return on capital costs.

(k) Changes in accounting standards:

(i) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the Branch adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and amortization, and add a requirement for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow CICA Handbook Section 1540, *Cash Flow Statements*. The implementation of these amendments did not have any significant impact on the Branch's financial statements.

(ii) Amendments to Section 1000, Financial Statement Concepts:

Effective April 1, 2009, the Branch adopted the amendments in CICA Handbook Section 1000, *Financial Statement Concepts*. The amendments clarify the relationship between incurring expenditures and creating assets, and clarifies that items which do not meet the definition of assets or liabilities are not eligible for recognition. The implementation of the amendments did not have any impact on the Branch's financial statements.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(l) Future accounting framework:

The Branch is currently classified as a government not-for-profit (NPO) organization. Under the direction of the Public Sector Accounting Standards Board (PSAB), the Branch adheres to the standards for NPO organizations in the CICA Handbook.

PSAB proposes to incorporate into the PSAB Handbook, the current NPO Sections (4400 standards) of the CICA Handbook to deal with areas not currently addressed by the PSAB framework. PSAB has decided not to make any further substantive changes to the Sections at this time. The exposure draft proposes to amend the Introduction so that the PSAB standards will be applicable to all government NPO organizations, for fiscal periods beginning on or after January 1, 2012.

The Branch intends to continue applying the existing NPO standards and is awaiting the finalization of the new standards. Once the new standards are finalized, the Branch will determine the impact on the financial statements.

2. Financial instruments:

The Branch's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

3. Accounts receivable:

	2010	2009
Provincial Health Services Authority	\$ -	\$ 6,268
Patients, clients and agencies	1,007	887
Ministry of Health Services	28,693	13,895
Hospital foundations	2,010	87
Research grants	7,367	7,583
Goods and services tax	1,166	875
Other	8,025	4,475
	<hr/>	<hr/>
	\$ 48,268	\$ 34,070

4. Inventories:

The Branch's inventories of \$8,812 (2009 - \$6,699) are recorded at the lower of weighted average cost and replacement cost and consist of medical/surgical supplies, drugs, and other materials and supplies. During the year, \$86,975 (2009 - \$79,433) of inventories were expensed by the Branch.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

5. Capital assets:

2010	Cost	Accumulated depreciation	Net book value
Land	\$ 35,150	\$ -	\$ 35,150
Buildings	221,867	58,814	163,053
Building service equipment	7,620	1,740	5,880
Construction in progress	47,598	-	47,598
Leasehold improvements	2,928	2,346	582
Equipment	174,559	121,534	53,025
Equipment in progress	1,926	-	1,926
Software licence fees	320	254	66
	\$ 491,968	\$ 184,688	\$ 307,280

2009	Cost	Accumulated depreciation	Net book value
Land	\$ 35,150	\$ -	\$ 35,150
Buildings	216,902	53,856	163,046
Building service equipment	6,402	1,227	5,175
Construction in progress	23,776	-	23,776
Leasehold improvements	2,295	2,242	53
Equipment	161,690	112,536	49,154
Equipment in progress	213	-	213
Software licence fees	320	190	130
	\$ 446,748	\$ 170,051	\$ 276,697

The British Columbia Cancer Agency Branch (BCCA) entered into a multi-year public-private-partnership contract with Plenary Health on December 18, 2009 to build the BC Cancer Agency Centre for the North (Cancer Centre) in Prince George, British Columbia. Under the agreement, Plenary Health will design, construct, finance, and maintain the facilities until the end of the term of the agreement in September 2042. The planned completion date for the Cancer Centre is fall 2012, and the planned completion date for the parkade is summer 2010.

The total construction budget for the Cancer Centre for the North project is \$69,912, with Plenary Health contributing funding of \$13,618 (approximately 20%) into the project. The balance of the funding has been committed by the Ministry of Health Services. In addition, the Ministry of Health Services will provide \$22,760 of capital funds for equipment and information technology, planning and procurement, and other capital expenditures. As at March 31, 2010, there was \$25,135 included in capital assets as construction in progress.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

6. Accounts payable and accrued liabilities:

	2010	2009
Trade accounts payable and accrued liabilities	\$ 36,977	\$ 37,039
Provincial Health Services Authority	12,771	-
Salaries and benefits payable	12,354	9,783
Accrued vacation pay	9,983	9,324
	\$ 72,085	\$ 56,146

7. Deferred contributions for designated purposes:

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

	2010	2009
Deferred contributions for designated purposes, beginning of year	\$ 16,400	\$ 18,457
Less amount recognized as revenue in the year	(52,586)	(51,236)
Add amount received for future periods	52,999	49,179
Deferred contributions for designated purposes, end of year	\$ 16,813	\$ 16,400

8. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by the 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, 2009. The next required valuation will be as of December 31, 2012.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

8. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2010	2009
Accrued benefit obligation:		
Sick leave benefits	\$ 2,888	\$ 2,485
Severance benefits	10,536	8,170
Total unfunded obligation	13,424	10,655
Balance of unamortized amounts	3,079	5,326
Accrued retirement allowance benefits	16,503	15,981
Less current portion	1,572	1,092
Long-term portion	\$ 14,931	\$ 14,889
Retirement allowance expense	\$ 1,162	\$ 1,482
Benefits paid	640	747

The significant actuarial assumptions adopted in measuring the Branch's retirement allowance liabilities are as follows:

	2010	2009
Accrued benefit obligation as at March 31:		
Discount rate	6.25%	7.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	7.25%	5.50%
Rate of compensation increase	2.50%	2.50%

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

8. Employee benefits (continued):

(b) Long-term disability 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.

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The assets and liabilities for these long-term disability benefits have been segregated for PHSA, but not for the individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2009 indicated a net liability of \$4,723. Contributions of \$1,892 (2009 - \$1,515) were expensed during the year. The PHSA plan covers approximately 5,288 active employees of which 1,339 are employees of the Branch. The next required valuation will be as of December 31, 2010.

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$3,654 (2009 - \$3,079) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2009 indicated a surplus of \$42,133 (December 31, 2008 - \$30,294). The plan covers approximately 80,000 active employees of which 1,708 are employees of the Branch. The next required valuation will be as of December 31, 2010.

The Branch and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$11,333 (2009 - \$9,731) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 157,000 active members of which 1,990 are employees of the Branch. The next required valuation will be as at December 31, 2009. The results are not yet available.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

9. Long-term debt:

Public private partnership obligation: Northern Cancer Centre, 30 year contract term with Plenary Health, interest at 8.37% per annum, construction completion fiscal 2013	\$ 13,365
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Required principal repayments on long-term debt for the years ending March 31 are:

2011	\$ -
2012	-
2013	-
2014	69
2015	75
Thereafter	13,221
	<hr/> \$ 13,365 <hr/>

10. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2010	2009
Deferred capital contributions, beginning of year	\$ 248,501	\$ 237,408
Provincial Health Services Authority	34,299	25,538
Foundations	665	355
Other	4,190	5,676
	<hr/> 39,154	<hr/> 31,569
Less amortization for the year	(21,938)	(20,476)
Deferred capital contributions, end of year	<hr/> \$ 265,717	<hr/> \$ 248,501 <hr/>

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

11. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2010	2009
Capital assets	\$ 307,280	\$ 276,697
Amounts financed by:		
Deferred capital contributions	(265,717)	(248,501)
Long-term debt	(13,365)	-
	(279,082)	(248,501)
	\$ 28,198	\$ 28,196

(b) Deficiency of revenues over expenses:

	2010	2009
Amortization of deferred capital contributions	\$ 21,938	\$ 20,476
Amortization of capital assets	(21,938)	(20,511)
	\$ -	\$ (35)

(c) Transfer to invested in capital assets:

	2010	2009
Purchase of capital assets	\$ 52,520	\$ 58,143
Asset retirement obligations	1	(11)
Amounts funded by:		
Deferred capital contributions	(39,154)	(31,569)
Long-term debt	(13,365)	-
	(52,519)	(31,569)
	\$ 2	\$ 26,563

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

12. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2011	\$	1,550
2012		1,369
2013		1,307
2014		1,152
2015		651
Thereafter		801
	\$	6,830

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2010, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement. Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

(c) Asset retirement obligations:

The Branch has accrued asset retirement obligations of \$153 (2009 - \$146) representing the fair value of the legal obligations related to leased and owned premises after charges for accretion and depreciation. The settlement of these obligations will occur at the expiry of the leases and as owned premises undergo renovations. The fair value of the legal obligation was determined by discounting the estimated cash outflows of \$148 (2009 - \$148) over the respective lease terms and until renovations are undertaken at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.02% for new obligations in 2010 (2009 - 4.90%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms and over the time period until renovations are completed.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

12. Commitments and contingencies (continued):

(d) Service payments:

As disclosed in note 1(j), the Branch has signed an agreement with Plenary Health to make periodic payments for facility rehabilitation and maintenance services of the BC Cancer Agency Centre for the North commencing in fiscal 2013 until the end of the agreement in fiscal 2043.

The aggregate payments under the agreement are as follows:

2011	\$	-
2012		-
2013		491
2014		986
2015		1,012
Thereafter		36,824
	\$	39,313

13. Other contributions:

	2010	2009
Other Ministries	\$ 2	\$ -
Foundations	3,369	7,125
Other	63	323
	\$ 3,434	\$ 7,448

14. Other revenues:

	2010	2009
Recoveries from other Health Authorities and government reporting entities	\$ 1,778	\$ 640
Recoveries from sales of goods and services	3,990	3,927
Parking	965	844
Drug sales	212	187
Other	125	96
	\$ 7,070	\$ 5,694

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

15. Patients, clients and residents revenue:

	2010	2009
Federal government	\$ 314	\$ 233
Non-residents of British Columbia	1,842	1,712
Non-residents of Canada	158	53
Residents of British Columbia - self pay	321	88
	<u>\$ 2,635</u>	<u>\$ 2,086</u>

16. Referred out and contracted services:

	2010	2009
Other Health Authorities and government reporting entities	\$ 90,397	\$ 89,094
Private contractors	13,504	11,238
	<u>\$ 103,901</u>	<u>\$ 100,332</u>

17. Supplies:

	2010	2009
Drugs and medical gases	\$ 81,316	\$ 66,180
Food and dietary	220	231
Medical and surgical	2,558	2,278
Diagnostic	6,322	7,024
Printing, stationery and office	1,148	1,271
Housekeeping	145	134
Laundry and linen	161	149
Plant operation	2,821	2,515
Other	629	914
	<u>\$ 95,320</u>	<u>\$ 80,696</u>

18. Sundry:

	2010	2009
Communication and data processing	\$ 344	\$ 284
Travel	1,998	2,270
Professional fees	2,393	2,177
Other	2,684	5,901
	<u>\$ 7,419</u>	<u>\$ 10,632</u>

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

19. Statement of cash flows:

Net change in non-cash operating items:

	2010	2009
Changes to non-cash operating items:		
Accounts receivable	\$ (14,198)	\$ 16,627
Inventories	(2,113)	(1,097)
Prepaid expenses	(2)	(79)
Accounts payable and accrued liabilities	15,939	11,691
Deferred contributions for designated purposes	413	(2,057)
	<hr/>	<hr/>
	\$ 39	\$ 25,085
Non-cash transactions:		
Additions (reductions) to asset retirement obligations	\$ 1	\$ (11)
Capital asset additions funded through Plenary Health (note 5)	13,365	-

20. Abbotsford Regional Hospital and Cancer Centre:

The Abbotsford Regional Hospital and Cancer Centre (ARHCC) commenced providing services in August 2008. Under the terms of an agreement, Access Health Abbotsford Ltd. (AHA) will maintain the ARHCC until May 2038. Payment guarantees have been provided by the Province of British Columbia for the payment obligations to AHA.

The Branch and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. (ARHCC Inc.) in accordance with the Share Transfer Agreement whereby 102 common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 common shares are held by the Branch. The shares were acquired at a cost of one dollar per share. The investment has been recorded at cost.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

21. Related entity:

The Branch has an economic interest in the BC Cancer Foundation (the foundation) which is responsible for fundraising activities of the Branch, the British Columbia Cancer Research Centre facility (the Research Centre), and the Genome Sciences Centre. The foundation is a separate legal entity incorporated under the *Society Act of British Columbia* and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The net assets and results from operations of the foundation are not included in the financial statements of the Branch. At March 31, 2010, the foundation held net assets of \$52,223 (2009 - \$42,904) to be used for research, patient care, education, and capital expenditures at the Branch, the Research Centre and the Genome Sciences Centre.

During the year, the Branch received the following contributions from the foundation:

	2010	2009
Operations	\$ 374	\$ 168
Research	3,894	7,125
Other designated purposes	7,996	7,920
Capital	500	1,312
	<hr/>	<hr/>
	\$ 12,764	\$ 16,525

22. Related party transactions:

- (a) Certain administrative, finance and accounting, and human resource services are provided to the Branch by 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:

For the year ended March 31, 2010, expenses include \$7,317 (2009 - \$4,086) resulting from transactions with other PHSA members.

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

- (b) On March 31, 2009, the Branch purchased a parcel of land located in Vancouver, British Columbia, from a related party. The land was recorded at \$28,150 which included other costs of \$1,000 attributable to the acquisition. The value of the land was supported by an independent third party valuation.

BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Year ended March 31, 2010

23. Capital management:

The Branch receives its principal source of capital through funding received from the Ministry of Health Services. The Branch defines capital to be net assets.

The Branch's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry of Health Services and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health Services.

The Branch is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter. The Branch has complied with the external restrictions on the funding provided.

24. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.