

Financial Statements  
(Expressed in thousands of dollars)

**BRITISH COLUMBIA CANCER  
AGENCY BRANCH**

Years ended March 31, 2004 and 2003



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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, 2004 and the statements 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, 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 CANCER AGENCY BRANCH

Statements of Financial Position  
(Expressed in thousands of dollars)

March 31, 2004 and 2003

	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,491	\$ 25,292
Short-term investments (note 3)	-	11,907
Accounts receivable (note 4)	65,859	24,434
Inventories	2,761	5,083
Prepaid expenses	1,467	1,448
	<u>78,578</u>	<u>68,164</u>
Capital assets, net (note 5)	189,249	167,118
	<u>\$ 267,827</u>	<u>\$ 235,282</u>

## Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 48,946	\$ 40,413
Deferred contributions for designated purposes (note 7)	19,980	13,797
	<u>68,926</u>	<u>54,210</u>
Accrued sick and severance liabilities (note 8(a))	11,682	10,460
Deferred capital contributions (note 9)	191,535	172,711
	<u>272,143</u>	<u>237,381</u>
Net assets (deficiency):		
Invested in capital assets (note 10(a))	3,938	513
Unrestricted	(8,254)	(2,612)
	<u>(4,316)</u>	<u>(2,099)</u>
	<u>\$ 267,827</u>	<u>\$ 235,282</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 CANCER AGENCY BRANCH

## Statements of Operations

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

	2004	2003
Revenues:		
Contributions:		
Provincial Health Services Authority operating grants	\$ 193,301	\$ 192,994
Ministry of Health Services operating grants	-	4,164
Patient/client revenues (note 12)	743	1,399
Medical Services Commission	39,933	35,311
Investment income	350	570
Other revenues	8,598	8,573
Contributions for designated purposes	33,416	27,962
	<u>276,341</u>	<u>270,973</u>
Expenses:		
Compensation and benefits	138,975	133,984
Supplies	72,889	62,465
Sundry	7,289	9,170
Equipment and building services	4,189	3,781
Referred-out/contracted services	21,834	23,083
Expenses for designated purposes	33,416	27,962
	<u>278,592</u>	<u>260,445</u>
Excess (deficiency) of revenues over expenses before amounts related to capital assets	(2,251)	10,528
Amounts related to capital assets:		
Amortization of deferred capital contributions	16,133	14,921
Amortization of capital assets	(16,099)	(14,900)
	<u>34</u>	<u>21</u>
Excess (deficiency) of revenues over expenses	<u>\$ (2,217)</u>	<u>\$ 10,549</u>

See accompanying notes to financial statements.

# BRITISH COLUMBIA CANCER AGENCY BRANCH

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

Years ended March 31, 2004 and 2003

	Invested in capital assets	Unrestricted	Total	
			2004	2003
Balance, beginning of year	\$ 513	\$ (2,612)	\$ (2,099)	\$ (12,648)
Excess (deficiency) of revenues over expenses	34	(2,251)	(2,217)	10,549
Net change in capital assets (note 10(c))	3,391	(3,391)	-	-
Balance, end of year	\$ 3,938	\$ (8,254)	\$ (4,316)	\$ (2,099)

See accompanying notes to financial statements.

# BRITISH COLUMBIA CANCER AGENCY 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 (deficiency) of revenues over expenses	\$ (2,217)	\$ 10,549
Items not involving cash:		
Amortization of capital assets	16,099	14,900
Amortization of deferred capital contributions	(16,133)	(14,921)
	(2,251)	10,528
Changes in non-cash operating items (note 13)	(23,184)	(2,624)
	(25,435)	7,904
Investments:		
Purchase of capital assets	(38,230)	(22,645)
Net disposal (purchase) of short-term investments	11,907	(5,297)
	(26,323)	(27,942)
Financing:		
Additions to deferred capital contributions	34,957	27,129
Increase (decrease) in cash and cash equivalents	(16,801)	7,091
Cash and cash equivalents, beginning of year	25,292	18,201
Cash and cash equivalents, end of year	\$ 8,491	\$ 25,292

See accompanying notes to financial statements.

# BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 1. Operations:

British Columbia Cancer Agency 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 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

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 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.

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 CANCER AGENCY BRANCH

Notes to Financial Statements

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 2. Significant accounting policies (continued):

### (a) Basis of presentation (continued):

These financial statements do not include the assets, liabilities, revenues and expenses of the Foundation of the Branch (see note 14).

### (b) Revenue recognition:

The Branch 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 the 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 Branch 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 are recorded at the lower of cost and market value.

### (e) Inventories:

Inventories, consisting of medical/surgical supplies, drugs and general supplies, 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	40 years
Leasehold improvements	Lease term to a maximum of 10 years
Equipment	3 - 10 years

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# BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 2. Significant accounting policies (continued):

### (g) 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.

### (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 obligations which is disclosed in note 8(a).

## 3. Short-term investments:

The carrying value of the short-term investments is nil (2003 - \$11,907), which approximates the market value.

## 4. Accounts receivable:

	2004	2003
Provincial Health Services Authority	\$ 28,625	\$ 558
Medical Services Commission	21,870	10,395
BC Cancer Foundation	4,916	3,506
Research grants	6,742	7,524
Ministry of Health Services	344	236
Other	3,362	2,215
	<hr/>	<hr/>
	\$ 65,859	\$ 24,434

# BRITISH COLUMBIA CANCER AGENCY 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
Land	\$ 7,000	\$ -	\$ 7,000
Buildings	119,762	32,719	87,043
Leasehold improvements	2,132	1,706	426
Equipment	117,564	64,838	52,726
Construction-in-progress	42,054	-	42,054
	\$ 288,512	99,263	189,249

  

2003	Cost	Accumulated amortization	Net book value
Land	\$ 7,000	\$ -	\$ 7,000
Buildings	117,937	29,929	88,008
Leasehold improvements	2,116	1,513	603
Equipment	118,044	64,690	53,354
Construction-in-progress	13,419	-	13,419
Deposits on equipment	4,734	-	4,734
	\$ 263,250	\$ 96,132	\$ 167,118

The 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.

During the year, the Provincial Government directed Abbotsford Hospital and Cancer Centre Inc. to assume the construction of an Abbotsford Hospital and Cancer Centre. As at March 31, 2004, the Branch expended \$742 in planning for this project. The Branch has transferred responsibility for the construction of the Centre to Abbotsford Hospital and Cancer Centre Inc., and, as a result, both the capital costs and the corresponding deferred capital contributions of \$742 were removed from these financial statements.

## 6. Accounts payable and accrued liabilities:

	2004	2003
Trade accounts payable and accrued liabilities	\$ 36,263	\$ 25,597
Accrued salaries, wages and benefits payable	4,754	6,166
Accrued vacation payable	7,336	7,970
Current portion of accrued sick and severance liabilities	593	680
	\$ 48,946	\$ 40,413

# BRITISH COLUMBIA CANCER AGENCY 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 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	\$ 13,797	\$ 9,292
Amount received for designated purposes	39,599	32,467
Amount recognized as revenue	(33,416)	(27,962)
Balance, end of year	\$ 19,980	\$ 13,797

## 8. 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	\$ 2,930	\$ 3,165
Severance benefits	7,912	8,664
Total unfunded obligation	\$ 10,842	\$ 11,829
Accrued sick and severance liabilities	\$ 12,275	\$ 11,140
Sick and severance plan expense	\$ 1,682	\$ 1,932
Benefits paid	547	1,198

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 CANCER AGENCY BRANCH

Notes to Financial Statements

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 8. 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 \$4,566 (2003 - \$4,411) 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 1,000 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 1,700 are employees of the Branch.

### (c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan, a multiemployer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*. Employer contributions to the Municipal Pension Plan of \$7,242 (2003 - \$6,311) 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 1,900 are employees of the Branch.

# BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 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	\$ 172,711	\$ 160,503
Additional contributions received:		
Provincial Health Services Authority	4,067	7,620
Foundations	549	1,288
Research grants	5,437	4,375
Designated purposes	330	1,242
Other	24,574	12,604
Amount amortized to revenue	(16,133)	(14,921)
Deferred capital contributions, end of year	\$ 191,535	\$ 172,711

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	\$ 185,311	\$ 166,605
Unspent contributions	6,224	6,106
	\$ 191,535	\$ 172,711

## 10. Invested in capital assets:

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

	2004	2003
Capital assets	\$ 189,249	\$ 167,118
Amounts financed by deferred capital contributions	(185,311)	(166,605)
	\$ 3,938	\$ 513

# BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements

(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 10. Invested in capital assets (continued):

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

	2004	2003
Amortization of deferred capital contributions	\$ 16,133	\$ 14,921
Amortization of capital assets	(16,099)	(14,900)
	\$ 34	\$ 21

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

	2004	2003
Purchase of capital assets	\$ 38,230	\$ 22,645
Amount funded by deferred capital contributions	(34,839)	(22,079)
	\$ 3,391	\$ 566

## 11. Commitments and contingencies:

(a) Operating lease commitments:

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

2005	\$ 866
2006	785
2007	506
2008	149
2009	13
	\$ 2,319

(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 CANCER AGENCY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

## 12. Patient/client revenues:

	2004	2003
Patient/client revenues consist of:		
Non-residents of British Columbia	\$ 583	\$ 1,084
Non-residents of Canada	69	113
Residents of British Columbia – self pays	23	73
Other	68	129
	\$ 743	\$ 1,399

## 13. Supplementary information:

	2004	2003
Changes in non-cash operating items:		
Accounts receivable	\$ (41,425)	\$ (7,123)
Inventories and prepaid expenses	2,303	(3,346)
Accounts payable and accrued liabilities	8,533	6,372
Deferred operating revenues	-	(4,164)
Deferred contributions for designated purposes	6,183	4,505
Accrued sick and severance liabilities	1,222	1,132
	\$ (23,184)	\$ (2,624)

## 14. Related entities:

The Branch has an economic interest in the BC Cancer Foundation (the "Foundation"). The Foundation is responsible for fundraising activities for the Branch, the British Columbia Cancer Research Centre facility ("the Research Centre"), and the Genome Sequence Centre.

As at March 31, 2004, the Foundation held net assets of \$20,592 (2003 - \$21,112) to be used for research, patient care, education and capital assets at the Branch, the Research Centre and the Genome Sequence Centre.

# BRITISH COLUMBIA CANCER AGENCY BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Years ended March 31, 2004 and 2003

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## 15. Related party transactions:

Certain administrative, finance and accounting, and human resource services are provided to the Branch by the PHSA without charge. The costs of these services have not been recorded in the financial statements of the Branch.

During the year, the Branch was involved in the following related party transactions with the other PHSA members listed in note 1:

- (a) For the year ended March 31, 2004, revenues include \$10 (2003 - \$47) and expenses include \$853 (2003 - \$712) resulting from transactions with other PHSA members.
- (b) At March 31, 2004, accounts receivable include nil (2003 - \$2) and accounts payable include nil (2003 - \$759) resulting from transactions with other PHSA members.

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