

Financial Statements
(Expressed in thousands of dollars)

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

Years ended March 31, 2005 and 2004



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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, 2005 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, 2005 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 6, 2005

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 3,390	\$ 169
Short-term investments (note 3)	-	1,049
Accounts receivable (note 4)	13,994	11,362
Inventories	3,852	3,539
Prepaid expenses	395	890
	<u>21,631</u>	<u>17,009</u>
Capital assets, net (note 5)	5,273	4,510
	<u>\$ 26,904</u>	<u>\$ 21,519</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 9,792	\$ 8,829
Deferred contributions for designated purposes (note 7)	1,177	1,063
	<u>10,969</u>	<u>9,892</u>
Accrued sick and severance liabilities (note 8(a))	1,403	1,385
Deferred capital contributions (note 9)	5,296	4,533
	<u>17,668</u>	<u>15,810</u>
Net assets:		
Invested in capital assets (note 10(a))	-	-
Unrestricted	9,236	5,709
	<u>9,236</u>	<u>5,709</u>
	<u>\$ 26,904</u>	<u>\$ 21,519</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 CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statements of Operations
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
Revenue:		
Provincial Health Services Authority operating grants	\$ 77,272	\$ 67,786
Medical Services Commission	1,651	2,596
Investment income	-	249
Other	2,684	2,886
Contributions for designated purposes	2,377	1,812
	83,984	75,329
Expenses:		
Compensation and benefits	22,782	24,060
Supplies	42,362	33,421
Sundry	9,019	9,760
Equipment and building services	642	885
Referred-out/contracted services	3,275	2,887
Expenses for designated purposes	2,377	1,812
	80,457	72,825
Excess of revenue over expenses before amounts related to capital assets	3,527	2,504
Amounts related to capital assets:		
Amortization of deferred capital contributions	563	606
Amortization of capital assets	(563)	(708)
	-	(102)
Excess of revenue over expenses	\$ 3,527	\$ 2,402

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, 2005 and 2004

	Invested in capital assets	Unrestricted	Total	
			2005	2004
Balance, beginning of year	\$ -	\$ 5,709	\$ 5,709	\$ 3,307
Excess of revenue over expenses	-	3,527	3,527	2,402
Net change in capital assets (note 10(c))	-	-	-	-
Balance, end of year	\$ -	\$ 9,236	\$ 9,236	\$ 5,709

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, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,527	\$ 2,402
Items not involving cash:		
Gain on disposal of short-term investments	(9)	-
Amortization of capital assets	563	708
Amortization of deferred capital contributions	(563)	(606)
	3,518	2,504
Changes in non-cash operating items (note 12)	(1,355)	(7,167)
	2,163	(4,663)
Investments:		
Purchase of capital assets	(1,908)	(504)
Net book value of capital assets transferred to PHSA	582	-
Proceeds on sale of short-term investments	1,058	3,974
	(268)	3,470
Financing:		
Additions to deferred capital contributions	1,908	809
Unamortized deferred capital contributions relating to assets transferred to PHSA	(582)	-
Repayment of capital lease obligation	-	(401)
	1,326	408
Increase (decrease) in cash	3,221	(785)
Cash, beginning of year	169	954
Cash, end of year	\$ 3,390	\$ 169

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, 2005 and 2004

1. Operations:

British Columbia Centre for Disease Control and Prevention Society 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 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, 2005 and 2004

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, 2005 and 2004

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. The actuarial determination of the accrued benefit obligations for employee sick and severance benefits 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). 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 is 10 years (2004 – 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 multiemployer defined benefit plans and, accordingly, contributions are expensed.

(g) 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).

(h) Asset retirement obligations:

Effective April 1, 2004, the Branch adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations." This section requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Branch has determined that there are no significant asset retirement obligations with its assets.

(i) Certain comparative figures have been reclassified to conform with classifications adopted in the current year.

3. Short-term investments:

The carrying value of the short-term investments is \$ nil (2004 - \$1,049), which approximates the market value.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

4. Accounts receivable:

	2005	2004
Provincial Health Services Authority	\$ 11,638	\$ 9,352
Medical Services Commission	92	147
Other	2,264	1,863
	\$ 13,994	\$ 11,362

5. Capital assets:

2005	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 2,873	\$ 496	\$ 2,377
Equipment	5,392	3,884	1,508
Construction-in-progress	1,388	-	1,388
	\$ 9,653	\$ 4,380	\$ 5,273

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

6. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable and accrued liabilities	\$ 7,211	\$ 6,194
Accrued salaries and benefits payable	1,506	1,610
Accrued vacation payable	950	892
Current portion of accrued sick and severance liabilities	125	133
	\$ 9,792	\$ 8,829

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Notes to Financial Statements
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Years ended March 31, 2005 and 2004

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.

	2005	2004
Balance, beginning of year	\$ 1,063	\$ 4,319
Amount received for designated purposes	2,896	2,549
Amounts recognized as revenue:		
Operating grants revenue	(405)	(3,993)
Contributions for designated purposes revenue	(2,377)	(1,812)
Balance, end of year	\$ 1,177	\$ 1,063

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, updated to March 31, 2005. The next required valuation will be as of December 31, 2006.

Information about employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 727	\$ 668
Severance benefits	1,001	956
Total unfunded obligation	1,728	1,624
Balance of unamortized amounts	(200)	(106)
Accrued sick and severance liabilities	\$ 1,528	\$ 1,518
Sick and severance plan expense	\$ 210	\$ 201
Benefits paid	200	92

The current portion of accrued sick and severance liabilities of \$125 (2004 - \$133) is included in accounts payable and accrued liabilities.

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8. Employee benefits (continued):

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

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

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%
Benefit costs for the years ended March 31:		
Discount rate	5.75%	6.25%
Rate of compensation increase	3.25%	5.20%

(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 \$688 (2004 - \$651) 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 December 31, 2004 indicated an unfunded actuarial obligation of \$913. The PHSA plan covers approximately 4,160 active employees of which approximately 260 are employees of the Branch. The next required valuation will be as of December 31, 2005.

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 December 31, 2005 indicated a deficit of \$6,415. The plan covers 76,108 active employees of which approximately 300 are employees of the Branch. The next required valuation will be as of December 31, 2005.

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8. Employee benefits (continued):

(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 \$404 (2004 - \$183) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789,000. The plan covers approximately 128,000 active employees of which approximately 120 are employees of the Branch. The next required valuation will be as of December 31, 2006.

Employer contributions to the Public Service Pension Plan of \$675 (2004 - \$886) were expensed during the year. The most recently actuarial valuation for the plan at March 31, 2002 indicated a surplus of \$546,000. The plan covers approximately 51,000 active employees of which approximately 161 are employees of the Branch. The next required valuation will be as of March 31, 2005.

9. 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.

	2005	2004
Deferred capital contributions, beginning of year	\$ 4,533	\$ 4,330
Additional contributions received:		
Provincial Health Services Authority	1,792	617
Other	116	192
	1,908	809
Less:		
Unamortized deferred capital contribution relating to assets transferred to PHSA	582	-
Amount amortized to revenue	563	606
	1,145	606
Deferred capital contributions, end of year	\$ 5,296	\$ 4,533

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
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Years ended March 31, 2005 and 2004

9. Deferred capital contributions (continued):

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

	2005	2004
Unamortized deferred capital contributions used to purchase capital assets	\$ 5,273	\$ 4,510
Unspent contributions	23	23
	<u>\$ 5,296</u>	<u>4,533</u>

10. Invested in capital assets:

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

	2005	2004
Capital assets	\$ 5,273	\$ 4,510
Amounts financed by deferred capital contributions	(5,273)	(4,510)
	<u>\$ -</u>	<u>\$ -</u>

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

	2005	2004
Amortization of deferred capital contributions	\$ 563	\$ 606
Amortization of capital assets	(563)	(708)
	<u>\$ -</u>	<u>\$ (102)</u>

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

	2005	2004
Purchase of capital assets	\$ 1,908	\$ 504
Net book value of capital assets transferred to PHSA	(582)	-
	<u>1,326</u>	<u>504</u>
Amounts funded by deferred capital contributions	(1,908)	(808)
Unamortized deferred capital contribution relating to assets transferred to PHSA	582	-
Payment of obligation under capital lease	-	401
	<u>(1,326)</u>	<u>(407)</u>
	<u>\$ -</u>	<u>\$ 97</u>

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

11. Commitments and contingencies:

(a) Operating lease commitments:

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

Year ending March 31,	
2006	\$ 5,946
2007	109
2008	106
2009	91
2010	58
	\$ 6,310

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 \$5,879 for lease payments to BCBC for the year ending March 31, 2006.

(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, 2005, 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. Supplementary information:

	2005	2004
Changes in non-cash operating items:		
Accounts receivable	\$ (2,632)	\$ (4,655)
Inventories	(313)	(871)
Prepaid expenses	495	(647)
Accounts payable and accrued liabilities	963	2,174
Deferred contributions for designated purposes	114	(3,256)
Accrued sick and severance liabilities	18	88
	\$ (1,355)	\$ (7,167)

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

13. 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:

For the year ended March 31, 2005, revenue includes \$12 (2004 - \$98) and expenses include \$13 (2004 - \$106) resulting from transactions with other PHSA members.

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