

Financial Statements
(Expressed in thousands of dollars)

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

Years ended March 31, 2006 and 2005



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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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

May 5, 2006

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash	\$ 228	\$ 1,010
Restricted cash (note 10(c))	139	167
Accounts receivable (note 3)	74,161	56,649
Inventory	562	587
Prepaid expenses	-	5
	<u>75,090</u>	<u>58,418</u>
Capital assets, net (note 4)	4,505	4,883
	<u>\$ 79,595</u>	<u>\$ 63,301</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 50,763	\$ 35,955
Deferred contributions for designated purposes (note 6)	169	463
	<u>50,932</u>	<u>36,418</u>
Accrued sick and severance liabilities (note 7(a))	2,531	2,530
Other long-term benefit liabilities (note 7(c))	328	1,058
Deferred capital contributions (note 8)	4,792	5,927
	<u>58,583</u>	<u>45,933</u>
Net assets:		
Invested in capital assets (note 9(a))	195	275
Unrestricted	20,817	17,093
	<u>21,012</u>	<u>17,368</u>
	<u>\$ 79,595</u>	<u>\$ 63,301</u>

Commitments and contingencies (note 10)

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, 2006 and 2005

	2006	2005
Revenue:		
Provincial Health Services Authority operating grants	\$ 101,222	\$ 76,613
Patient/client revenue (note 11)	684	758
Medical Services Commission	5,346	5,464
Other	2,632	2,144
Contribution for designated purposes (note 6)	802	677
	<u>110,686</u>	<u>85,656</u>
Expenses:		
Compensation and benefits (note 12)	86,547	61,043
Supplies	5,916	6,552
Sundry	5,371	3,926
Equipment and building services	7,710	8,942
Referred-out/contracted services	616	608
Expenses for designated purposes (note 6)	802	677
	<u>106,962</u>	<u>81,748</u>
Excess of revenue over expenses before amounts related to capital assets	3,724	3,908
Amounts related to capital assets:		
Amortization of deferred capital contributions	1,208	1,114
Amortization of capital assets	(1,288)	(1,195)
	<u>(80)</u>	<u>(81)</u>
Excess of revenue over expenses	<u>\$ 3,644</u>	<u>\$ 3,827</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, 2006 and 2005

	Invested in capital assets	Unrestricted	Total	
			2006	2005
Balance, beginning of year	\$ 275	\$ 17,093	\$ 17,368	\$ 13,541
Excess (deficiency) of revenue over expenses	(80)	3,724	3,644	3,827
Balance, end of year	\$ 195	\$ 20,817	\$ 21,012	\$ 17,368

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, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,644	\$ 3,827
Items not involving cash:		
Amortization of capital assets	1,288	1,195
Amortization of deferred capital contributions	(1,208)	(1,114)
	3,724	3,908
Changes in non-cash operating items (note 16)	(3,669)	(4,418)
	55	(510)
Investments:		
Purchase of capital assets (note 9(c))	(909)	(701)
Net book value of capital assets transferred to (from) PHSA	(1)	3,223
	(910)	2,522
Financing:		
Additions to deferred capital contribution	72	252
Unamortized deferred capital contributions relating to assets transferred (to) from PHSA	1	(3,119)
	73	(2,867)
Decrease in cash	(782)	(855)
Cash, beginning of year	1,010	1,865
Cash, end of year	\$ 228	\$ 1,010

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, 2006 and 2005

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. The following members are also included in PHSA:

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;
Women's Health and Research Institute; and
Red Cross Outpost Hospitals (until December 15, 2005)

Effective December 31, 2001, the above noted branch societies except for the Women's Health and 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 mental health care services to British Columbians and 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.

The Branch is exempt from federal and provincial income and capital taxes.

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, fair value of asset retirement obligations and the estimation of amounts which may become payable to retiring employees and accrued liabilities and related receivables resulting from implementing the Mental Health Plan. These financial statements do not include the assets, liabilities, revenue and expenses of the Foundation of the Branch (note 14).

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

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) Inventory:

Inventory, consisting of pharmaceutical and other supplies, is recorded at the lower of weighted average cost and market value.

(d) 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

(e) 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 (2005 - 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.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

2. Significant accounting policies (continued):

(f) Asset retirement obligations:

The Branch recognizes an asset retirement obligation liability 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 at the end of each period to reflect the passage of time and changes in the initial fair value assessment of the retirement obligation. At this time, the Branch has determined that there are no significant asset retirement obligations with its assets or leases.

(g) Comparative figures:

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

3. Accounts receivable:

	2006	2005
Provincial Health Services Authority	\$ 71,567	\$ 54,086
Medical Service Commission	1,314	1,176
Medical Services Plan	265	235
Other	1,049	1,263
	74,195	56,760
Allowance for doubtful accounts	(34)	(111)
	\$ 74,161	\$ 56,649

4. Capital assets:

2006	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,844	\$ 2,840	\$ 1,004
Equipment	14,681	11,529	3,152
Construction in progress	349	-	349
	\$ 18,874	\$ 14,369	\$ 4,505

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

4. Capital assets (continued):

2005	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 3,844	\$ 2,250	\$ 1,594
Equipment	14,225	10,936	3,289
	\$ 18,069	\$ 13,186	\$ 4,883

5. Accounts payable and accrued liabilities:

	2006	2005
Trade accounts payable and accrued liabilities	\$ 2,338	\$ 2,930
Patient trust funds	139	167
Accrued salaries and benefits payable	6,466	6,005
Accrued vacation payable	3,107	3,253
Accrued Mental Health Plan costs (note 12)	38,219	23,012
Current portion of accrued sick and severance liabilities (note 7(a))	494	588
	\$ 50,763	\$ 35,955

6. 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 the related expensed are incurred.

	2006	2005
Balance, beginning of year	\$ 463	\$ 827
Amount received for designated purposes	508	313
Amount recognized as revenue	(802)	(677)
Balance, end of year	\$ 169	\$ 463

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

7. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with twenty years of service who have 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, 2006. The next required valuation will be as of December 31, 2006.

Information about employee sick and severance benefits is as follows:

	2006	2005
Accrued benefit obligation:		
Sick leave benefits	\$ 85	\$ 134
Severance benefits	3,388	3,439
Total unfunded obligation	3,473	3,573
Balance of unamortized amounts	(448)	(455)
Accrued sick and severance liabilities	3,025	3,118
Current portion of sick and severance liabilities	494	588
Long-term portion of sick and severance liabilities	\$ 2,531	\$ 2,530
Sick and severance plan expense	\$ 407	\$ 452
Benefits paid	499	506

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

	2006	2005
Accrued benefit obligation as at March 31:		
Discount rate	5.00%	5.50%
Rate of compensation increase	3.25%	3.25%
Benefit costs for the years ended March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%

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Notes to Financial Statements
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7. Employee benefits (continued):

(b) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$38 (2005 - \$20) 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 actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 130,000 active employees of which approximately 5 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 \$3,032 (2005 - \$3,430) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767,000. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 51,000 active employees of which approximately 986 are employees of the Branch. The next required valuation will be as of March 31, 2008.

(c) Other long-term benefit liabilities:

An actuarial review of the Public Sector Pension Plan was performed in 2000, which resulted in adjustments that are being amortized over seven years.

8. 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.

	2006	2005
Deferred capital contributions, beginning of year	\$ 5,927	\$ 9,908
Additional contributions received:		
Provincial Health Services Authority	62	252
Other	10	-
	72	252
Less:		
Amount amortized to revenue	1,208	1,114
Amount relating to capital assets transferred to (from) PHSA	(1)	3,119
	1,207	4,233
Deferred capital contributions, end of year	\$ 4,792	\$ 5,927

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Notes to Financial Statements
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Years ended March 31, 2006 and 2005

8. Deferred capital contributions (continued):

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

	2006	2005
Unamortized deferred capital contributions used to purchase capital assets	\$ 4,310	\$ 4,608
Unspent contributions	482	1,319
	\$ 4,792	\$ 5,927

9. Invested in capital assets:

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

	2006	2005
Capital assets	\$ 4,505	\$ 4,883
Amount financed by deferred capital contributions	(4,310)	(4,608)
	\$ 195	\$ 275

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

	2006	2005
Amortization of deferred capital contributions	\$ 1,208	\$ 1,114
Amortization of capital assets	(1,288)	(1,195)
	\$ (80)	\$ (81)

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

	2006	2005
Purchase of capital assets	\$ 909	\$ 701
Net book value of capital assets transferred (to) from PHSA	1	(3,223)
	910	(2,522)
Amount funded by deferred capital contributions	(909)	(701)
Unamortized deferred capital contributions relating to assets transferred to (from) PHSA	(1)	3,119
	(910)	2,418
Funded (unfunded) capital assets	\$ -	\$ (104)

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

10. 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,	
2007	\$ 6,718
2008	14
2009	5
2010	-
2011	-
	\$ 6,737

The Branch leases land and buildings under an operating lease with the British Columbia Buildings Corporation ("BCBC"). Lease payments are for base rent, operating expenses and maintenance costs. The terms and conditions are negotiated annually. Included in the above amounts is \$6,580 for lease payments to BCBC for the year ending March 31, 2007.

(b) Legal contingencies:

In the ordinary course of the Branch's activities and the nature these activities, there is potential or pending litigation at any given time. As at March 31, 2006, management believes the Branch has valid defenses and appropriate insurance coverage in place for all unsettled claims. Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program. 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.

(c) Patient funds in trust:

The Branch holds funds in trust for patients. The amount held in trust as at March 31, 2006 is \$139 (2005 - \$167).

11. Patient/client revenue:

	2006	2005
Patient/client revenue consists of:		
Medical Services Plan	\$ 462	\$ 528
Ministry of Family and Child Development	219	227
Self paying residents of British Columbia	3	3
	\$ 684	\$ 758

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

12. 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 in the coming 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 the Mental Health Plan was fully implemented.

In the prior year, the financial statements included accruals for the compensation, benefits and employment security expenses and the related funding of \$23,012. As at March 31, 2006 management has revised the estimated accrual due to timing changes in implementing the Mental Health Plan and revisions related to job security resulting from new employment contracts. This has resulted in an increase in the accrual of \$16,121. During the year, costs of \$914 related to the provision were incurred. The total remaining accrual of \$38,219 is recorded in Accrued Mental Health Plan costs. 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.

13. 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, currency, 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 7(a).

14. Related entities:

The Branch has an economic interest in the BC Mental Health Foundation (the "Foundation"). The Foundation is responsible for fundraising activities for the Branch.

As at March 31, 2006, the Foundation held net assets of \$90 (2005 - \$141) to be used for research, patient care, education, and capital assets.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY (RIVERVIEW) BRANCH

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2006 and 2005

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:

For the year ended March 31, 2006, revenue includes \$476 (2005 - \$475) and expenses include \$1,254 (2005 - \$820) resulting from transactions with other PHSA members.

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

16. Cash flow supplementary information:

	2006	2005
Changes in non-cash operating items:		
Restricted cash	\$ 28	\$ 65
Accounts receivable	(17,512)	8,854
Inventory	25	(79)
Prepaid expenses	5	845
Accounts payable and accrued liabilities	14,808	(12,941)
Deferred contributions for designated purposes	(294)	(364)
Accrued sick and severance liabilities	1	11
Other long-term benefit liabilities	(730)	(809)
	\$ (3,669)	\$ (4,418)