

Financial Statements
(Expressed in thousands of dollars)

**FORENSIC PSYCHIATRIC
SERVICES COMMISSION**

Years ended March 31, 2005 and 2004



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AUDITORS' REPORT TO THE BOARD OF COMMISSIONERS OF FORENSIC PSYCHIATRIC SERVICES COMMISSION

We have audited the statement of financial position of Forensic Psychiatric Services Commission 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 Commission'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 Commission 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.

KPMG LLP

Chartered Accountants

Vancouver, Canada

May 6, 2005

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 87	\$ 735
Restricted cash	62	54
Accounts receivable (note 3)	11,312	9,300
Inventories	69	80
Prepaid expenses	1	48
	<u>11,531</u>	<u>10,217</u>
Capital assets, net (note 4)	1,769	1,979
	<u>\$ 13,300</u>	<u>\$ 12,196</u>

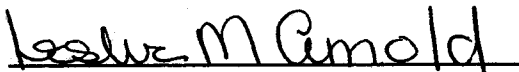
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 5,992	\$ 5,866
Accrued sick and severance liabilities (note 6(a))	1,384	1,368
Deferred capital contributions (note 7)	1,313	1,445
	<u>8,689</u>	<u>8,679</u>
Net assets:		
Invested in capital assets (note 8(a))	456	534
Unrestricted	4,155	2,983
	<u>4,611</u>	<u>3,517</u>
	<u>\$ 13,300</u>	<u>\$ 12,196</u>

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Commission:


Commissioner


Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statements of Operations
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

	2005	2004
Revenue:		
Provincial Health Services Authority operating grants	\$ 48,521	\$ 50,282
Medical Services Commission	4,207	4,108
Investment income	-	150
Other	137	194
	<u>52,865</u>	<u>54,734</u>
Expenses:		
Compensation and benefits	34,459	33,976
Supplies	2,172	2,573
Sundry	1,521	2,275
Equipment and building services	8,153	8,738
Referred out/contracted services	5,427	5,507
	<u>51,732</u>	<u>53,069</u>
Excess of revenue over expenses before amounts related to capital assets	1,133	1,665
Amounts related to capital assets:		
Amortization of deferred capital contributions	137	405
Amortization of capital assets	(176)	(551)
	<u>(39)</u>	<u>(146)</u>
Excess of revenue over expenses	\$ 1,094	\$ 1,519

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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	\$ 534	\$ 2,983	\$ 3,517	\$ 1,998
Excess (deficiency) of revenue over expenses	(39)	1,133	1,094	1,519
Net change in capital assets (note (8(c)))	(39)	39	-	-
Balance, end of year	\$ 456	\$ 4,155	\$ 4,611	\$ 3,517

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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	\$ 1,094	\$ 1,519
Items not involving cash:		
Amortization of capital assets	176	551
Amortization of deferred capital contributions	(137)	(405)
	1,133	1,665
<u>Changes in non-cash operating items (note 10)</u>	<u>(1,820)</u>	<u>(8,274)</u>
	(687)	(6,609)
Investments:		
Purchase of capital assets	(181)	(5)
<u>Net book value of capital assets transferred to PHSA</u>	<u>215</u>	<u>-</u>
	34	(5)
Financing:		
Additions to deferred capital contributions	181	5
Unamortized deferred capital contributions relating to assets transferred to PHSA	(176)	-
	5	5
Decrease in cash	(648)	(6,609)
Cash, beginning of year	735	7,344
Cash, end of year	\$ 87	\$ 735

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

1. Operations:

Forensic Psychiatric Services Commission (the "Commission") was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health Services on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA") which was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province-wide health care programs and services. PHSA also includes the following members:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Drug and Poison Information Centre;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Children's and Women's Health Centre of British Columbia Branch; 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 Commission remains a crown corporation and it is subject to separate reporting requirements along with those required by the PHSA.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

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

The Commission 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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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 Commission 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 future years, 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.

Unrestricted investment income is recognized as revenue when earned.

(c) Inventories:

Inventories are recorded at the lower of weighted average cost and market value.

(d) 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 - 10 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 (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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued):

(f) Financial instruments:

The Commission's financial instruments include accounts receivable, accounts payable and accrued liabilities and accrued sick and severance liabilities. It is management's opinion that the Commission 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 6(a).

(g) Asset retirement obligations:

Effective April 1, 2004, the Commission 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 Commission has determined that there are no significant asset retirement obligations with its assets.

(h) Comparative figures:

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

3. Accounts receivable:

	2005	2004
Provincial Health Services Authority	\$ 10,226	\$ 8,469
Medical Services Commission	1,064	740
Other	22	91
	<u>\$ 11,312</u>	<u>\$ 9,300</u>

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

4. Capital assets:

2005	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 1,887	\$ 430	\$ 1,457
Equipment	2,241	1,929	312
	\$ 4,128	\$ 2,359	\$ 1,769

2004	Cost	Accumulated amortization	Net book value
Leasehold improvements	\$ 1,859	\$ 308	\$ 1,551
Equipment	3,480	3,052	428
	\$ 5,339	\$ 3,360	\$ 1,979

5. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts payable and accrued liabilities	\$ 2,408	\$ 2,627
Accrued salaries and benefits payable	1,970	1,849
Accrued vacation payable	1,376	1,246
Patient trust funds	62	54
Current portion of accrued sick and severance liabilities	176	90
	\$ 5,992	\$ 5,866

6. Employee benefits:

(a) Employee sick and severance benefits:

Certain employees with twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service. The Branch's liabilities are based on an actuarial valuation as at December 31, 2003, updated to March 31, 2005. The next required valuation will be as of December 31, 2006.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

6. Employee benefits (continued):

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

Information about the employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 25	\$ 27
Severance benefits	1,426	1,431
Total unfunded obligation	1,451	1,458
Balance of unamortized amounts	109	-
Accrued sick and severance liabilities	\$ 1,560	\$ 1,458
Sick and severance plan expense	\$ 172	\$ 90
Benefit paid	70	48

The current portion of accrued sick and severance liabilities of \$176 (2004 - \$90) is included in accounts payable and accrued liabilities.

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 pension benefits:

The Commission and its employees contribute to the Public Service Pension Plan, a multiemployer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Public Service Pension Plan of \$1,510 (2004 - \$1,484) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2002 indicated a surplus of \$546,000. The plan covers approximately 51,000 active employees of which approximately 418 are employees of the Commission. The next required valuation will be as of March 31, 2005.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized 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.

	2005	2004
Deferred capital contributions, beginning of year	\$ 1,445	\$ 1,845
Additional contributions received:		
Ministry of Health Services	181	5
	1,626	1,850
Less:		
Unamortized deferred capital contribution relating to assets transferred to PHSA	176	-
Amount amortized to revenue	137	405
	313	405
Deferred capital contributions, end of year	\$ 1,313	\$ 1,445

8. Invested in capital assets:

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

	2005	2004
Capital assets	\$ 1,769	\$ 1,979
Amount financed by deferred capital contributions	(1,313)	(1,445)
	\$ 456	\$ 534

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

	2005	2004
Amortization of deferred capital contributions	\$ 137	\$ 405
Amortization of capital assets	(176)	(551)
	\$ (39)	\$ (146)

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

8. Invested in capital assets (continued):

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

	2005	2004
Purchase of capital assets	\$ 181	\$ 5
Net book value of capital assets transferred to PHSA	(215)	-
	(34)	5
Amount funded by deferred capital contributions	(181)	(5)
Unamortized deferred capital contributions relating to assets transferred to PHSA	176	-
	(5)	(5)
	\$ (39)	\$ -

9. Commitments and contingencies:

(a) Operating Lease commitments:

The Commission 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	\$ 7,632
2007	332
2008	245
2009	133
2010	91
	\$ 8,433

The Commission 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 \$7,532 for lease payments to BCBC for the year ending March 31, 2006.

(b) Legal contingencies:

The nature of the Commission'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 Commission has valid defences 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 Commission's financial position.

Risk management and insurance services are provided by the BC Health Care Risk Management Society under the Health Care Protection Program.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2005 and 2004

10. Supplementary information:

	2005	2004
Changes in non-cash operating items:		
Restricted cash	\$ (8)	\$ (14)
Accounts receivable	(2,012)	(7,644)
Inventories	11	(13)
Prepaid expenses	47	42
Accounts payable and accrued liabilities	126	(646)
Accrued sick and severance liabilities	16	1
	<hr/>	<hr/>
	\$ (1,820)	\$ (8,274)

11. Related party transactions:

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

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

For the year ended March 31, 2005, revenues include \$282 (2004 - nil) and expenses include \$2,328 (2004 - \$1,665) resulting from transactions with other PHSA members.

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