

Consolidated Financial Statements
(Expressed in thousands of dollars)

**PROVINCIAL HEALTH SERVICES
AUTHORITY**

Years ended March 31, 2003 and 2002



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AUDITORS' REPORT

To the Board of Provincial Health Services Authority

We have audited the consolidated statement of financial position of Provincial Health Services Authority as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority'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 consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 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 22, 2003



PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Financial Position
(Expressed in thousands of dollars)

March 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 89,088	\$ 36,215
Restricted cash	295	369
Short-term investments (note 3)	51,055	41,501
Accounts receivable (note 4)	76,666	75,885
Inventories	12,920	9,876
Prepaid expenses	3,429	2,654
	<u>233,453</u>	<u>166,500</u>
Long-term receivable (note 5)	-	1,462
Capital assets, net (note 6)	<u>312,689</u>	<u>294,287</u>
	<u>\$ 546,142</u>	<u>\$ 462,249</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 154,393	\$ 134,196
Deferred operating contributions	6,566	8,375
Deferred contributions for designated purposes (note 8)	26,797	21,226
Current portion of obligations under capital leases (note 9)	920	736
	<u>188,676</u>	<u>164,533</u>
Accrued sick and severance	34,795	32,519
Other long-term benefits	2,676	3,434
Obligations under capital leases (note 9)	1,788	2,320
Deferred capital contributions (note 10)	<u>335,867</u>	<u>291,347</u>
	<u>563,802</u>	<u>494,153</u>
Net assets:		
Invested in capital assets (note 11)	8,409	5,854
Internally restricted	760	3,797
Unrestricted	<u>(26,829)</u>	<u>(41,555)</u>
	<u>(17,660)</u>	<u>(31,904)</u>
	<u>\$ 546,142</u>	<u>\$ 462,249</u>


Commitments and contingencies (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Operations
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

	2003	2002
Revenue:		
Contributions:		
Ministry of Health Services grants	\$ 838,067	\$ 656,920
BC Health Authority operating grants	80,897	-
Patient/client revenues (note 13)	27,429	22,437
Medical Services Commissions	69,256	63,245
Investment income	3,114	2,521
Other revenues	38,575	36,302
Contributions for designated purposes	50,329	56,981
	<u>1,107,667</u>	<u>838,406</u>
Expenses:		
Compensation and benefits (note 14)	558,126	505,411
Supplies	176,817	163,092
Sundry	37,595	31,549
Equipment and building services	38,894	33,485
Referred-out/contracted services	229,290	47,855
Expenses for designated purposes	50,329	56,981
	<u>1,091,051</u>	<u>838,373</u>
Excess of revenue over expenses before invested in capital assets	16,616	33
Invested in capital assets:		
Amortization of deferred capital contributions	30,931	31,279
Amortization of capital assets	(33,303)	(33,620)
	<u>(2,372)</u>	<u>(2,341)</u>
Excess (deficiency) of revenue over expenses	\$ 14,244	\$ (2,308)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Years ended March 31, 2003 and 2002

	Invested in capital assets	Internally restricted	Unrestricted	Total 2003	Total 2002
Balance, beginning of year	\$ 5,854	\$ 3,797	\$ (41,555)	\$ (31,904)	\$ (29,596)
Excess (deficiency) of revenue over expenses	(2,372)	-	16,616	14,244	(2,308)
Net changes in capital assets	4,927	(3,037)	(1,890)	-	-
Balance, end of year	\$ 8,409	\$ 760	\$ (26,829)	\$ (17,660)	\$ (31,904)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statements of Cash Flows
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 14,244	\$ (2,308)
Items not involving cash:		
Amortization of capital assets	33,303	33,620
Amortization of deferred capital contributions	(30,931)	(31,279)
	16,616	33
Changes in non-cash operating items (note 16)	20,953	12,438
	37,569	12,471
Investments:		
Purchase of capital assets	(51,705)	(72,822)
Net purchase of short-term investments	(9,554)	(8,436)
	(61,259)	(81,258)
Financing:		
Additions to deferred capital contributions	75,451	69,353
Reduction in long-term receivables	1,462	279
Additions to capital lease obligation	401	1,989
Capital lease and loan obligation repayment	(751)	(531)
	76,563	71,090
Increase in cash and cash equivalents	52,873	2,303
Cash and cash equivalents, beginning of year	36,215	33,912
Cash and cash equivalents, end of year	\$ 89,088	\$ 36,215

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

1. Operations:

The Provincial Health Services Authority ("PHSA" or the "Authority") was established on December 12, 2001 to manage the quality, coordination, accessibility, and cost of certain province wide health-care programs and services.

PHSA directly manages and governs selected provincial agencies and programs and is responsible for the services they provide. The agencies/programs of PHSA are:

- 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 & Women's Health Centre of British Columbia Branch
- Forensic Psychiatric Services Commission
- Red Cross Outpost Hospitals.

The Authority also has the responsibility for planning, coordinating, monitoring, evaluating, and in certain cases funding, a number of highly specialized health services to ensure access to all British Columbians.

For purposes of financial reporting for the year ended March 31, 2002, the full fiscal year's operation of the Authority from April 1, 2001 to March 31, 2002 is presented.

PHSA is dependant on the Ministry of Health Services to provide sufficient funding to continue operations, replace equipment, and complete its capital projects.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated 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.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

These consolidated financial statements do not include Foundations of the PHSA branches (see note 15).

(b) Revenue recognition:

The Authority follows the deferral method of accounting for contributions which include donations, research and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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 Authority 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:

The short-term investments include banker's acceptances, term deposits, and bonds and are carried at the lower of cost and market value.

(e) Inventories:

Inventories, consisting of materials, supplies and pharmaceuticals, are valued at the lower of weighted average cost and market value.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

2. Significant accounting policies (continued):

(f) Capital assets:

Purchased capital assets are recorded at cost. Capital assets transferred from the Ministry of Health Services were recorded at net book value (cost less accumulated amortization). Amortization is calculated on a straight-line basis over the assets' estimated useful lives at the following rates:

Asset	Rate
Buildings	20 - 50 years
Leasehold improvements	Lesser of 10 years or life of the lease plus one renewal period
Vehicles	5 years
Equipment	3 -15 years (as per Ministry of Health Services guidelines)

Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate.

(g) Sick and severance liabilities:

Under the terms of the Authority's union contracts and non-contract agreements, employees with ten years of service and having reached a certain age are entitled to receive special payments upon retirement (or other circumstances specified in the collective agreement). These payments are based upon accumulated sick leave credits and entitlements for each year of service. The liability for amounts which may become payable to retiring employees is based on an actuarial valuation completed in 1999, and revalued as at March 31, 2003. The revaluation reflected a change in the discount assumption rate from 6.5% as at March 31, 2002 to 6.25% as at March 31, 2003. The revaluation also reflects 2003 salary increases, revised termination and retirement assumptions, and the impact of Bill 66. The impact of these changes, to the extent that it exceeds 10% of the liability as at March 31, 2003, will be recognized in the accounts of the Authority over a ten year period, beginning April 1, 2003.

The accumulated benefit obligation for sick leave and severance benefits based on the actuarial valuation as at March 31, 2003 is as follows:

Sick leave benefits	\$ 11,340
Severance benefits	26,324
	<u>\$ 37,664</u>

This actuarial estimate is \$42 higher than the amounts recorded in the accounts as at March 31, 2003.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

2. Significant accounting policies (continued):

(h) Financial instruments:

The Authority's financial instruments include accounts receivable, accounts payable and accrued liabilities, accrued sick and severance, and obligations under capital leases. It is management's opinion that the Authority is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying values, except for the fair value of accrued sick and severance obligations which is disclosed in note 2(g).

(i) Comparative figures:

Certain comparative figures for 2002 have been reclassified to conform with the presentation adopted in the current year.

3. Short-term investments:

The carrying value of the short-term investment is \$51,055 (2002 - \$41,501), which approximates the market value.

4. Accounts receivable:

	2003	2002
BC Health Authorities	\$ 4,099	\$ 8,584
Ministry of Health Services	26,805	27,564
Medical Services Plan	2,536	2,513
Medical Services Commission	14,714	11,893
Government agencies	2,450	5,616
Research grants	7,524	5,744
Foundations (note 15)	5,813	7,414
Other	16,541	10,429
	80,482	79,757
Allowance for doubtful accounts	3,816	3,872
	\$ 76,666	\$ 75,885

5. Long-term receivable:

The long term receivable in the prior year was from the Ministry of Health Services and it represented accumulated unused leave amounts. In accordance with the transfer agreements between the Ministry of Health Services and the British Columbia Centre for Disease Control and Prevention Society Branch on September 21, 1997 and Forensic Psychiatric Services Commission on April 1, 1999, these health care entities assumed responsibility for all leave liabilities for employees effective on the transfer dates. The Ministry of Health Services agreed to reimburse the health care entities for the costs of paying out leave bank obligations accumulated prior to the transfer dates. During the year, the long-term receivable was collected.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

6. Capital assets:

2003	Cost	Accumulated amortization	Net book value
Land	\$ 8,569	\$ -	\$ 8,569
Buildings	179,167	36,043	143,124
Land and leasehold improvements	56,701	27,497	29,204
Equipment	268,815	169,602	99,213
Equipment under capital lease	4,569	2,255	2,314
Vehicles	481	354	127
Construction-in-progress	25,404	-	25,404
Deposits on equipment	4,734	-	4,734
	\$ 548,440	\$ 235,751	\$ 312,689

2002	Cost	Accumulated amortization	Net book value
Land	\$ 8,569	\$ -	\$ 8,569
Buildings	148,946	32,276	116,670
Land and leasehold improvements	46,309	24,001	22,308
Equipment	265,614	171,145	94,469
Equipment under capital lease	4,168	1,428	2,740
Vehicles	380	328	52
Construction-in-progress	47,397	-	47,397
Deposits on equipment	2,082	-	2,082
	\$ 523,465	\$ 229,178	\$ 294,287

7. Accounts payable and accrued liabilities:

	2003	2002
Trade accounts payable and accrued liabilities	\$ 64,672	\$ 57,723
Accrued salaries, wages and benefits payable	57,656	47,497
Accrued vacation	28,388	25,167
Current portion of accrued sick and severance	2,827	3,064
Patient trust funds	335	407
Other	515	338
	\$ 154,393	\$ 134,196

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

8. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent grants and donations for research and other specified purposes. Recognition of deferred contributions is recorded as revenue in the statement of operations.

	2003	2002
Balance, beginning of year	\$ 21,226	\$ 17,010
Amount received in the year for designated purposes	55,900	61,197
Amount recognized as revenue in the year	(50,329)	(56,981)
	\$ 26,797	\$ 21,226

9. Obligations under capital leases:

The following is a schedule of minimum lease payments under fixed rate capital leases, together with the balance of the obligation:

	2003	2002
Year ending March 31,		
2003	\$ -	\$ 895
2004	1,039	895
2005	1,044	900
2006	638	487
2007	251	269
Total minimum lease payments	2,972	3,446
Amount representing interest at an average rate of 6.48% (2002 - 6.89%)	264	390
Present value of capital lease payments	2,708	3,056
Current portion	920	736
	\$ 1,788	\$ 2,320

The leases have various terms which expire between fiscal years 2005 and 2007.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

10. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2003	2002
Unamortized capital contributions, beginning of year	\$ 291,347	\$ 253,276
Additional contributions received:		
Ministry of Health Services	47,029	41,544
Foundations (note 15)	14,900	17,423
Other	15,760	10,383
Transfer to deferred contributions for designated purposes	(2,238)	-
Amounts amortized to revenue	(30,931)	(31,279)
	\$ 335,867	\$ 291,347

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

	2003	2002
Unamortized capital contributions used to purchase assets	\$ 301,558	\$ 285,361
Unspent contributions	34,309	5,986
	\$ 335,867	\$ 291,347

11. Investment in capital assets:

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

	2003	2002
Capital assets	\$ 312,689	\$ 294,287
Amounts financed by:		
Deferred contributions	(301,558)	(285,360)
Capital leases	(2,708)	(3,056)
Unsecured loan	(14)	(17)
	\$ 8,409	\$ 5,854

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

	2003	2002
Amortization of deferred contributions related to capital assets	\$ 30,931	\$ 31,280
Amortization of capital assets	(33,303)	(33,621)
	\$ (2,372)	\$ (2,341)

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

11. Investment in capital assets (continued):

(c) Net change in investment in capital assets for the year is calculated as follows:

	2003	2002
Purchase of capital assets	\$ 51,705	\$ 72,822
Amounts funded by:		
Deferred contributions	(47,128)	(67,606)
Capital leases	(401)	(1,989)
Repayment of capital leases and loan	751	531
	\$ 4,927	\$ 3,758

12. Commitments and contingencies:

(a) Municipal Pension Plan:

Certain of the Authority's branches and their employees contribute to the Municipal Pension Plan, a jointly trusted pension plan governed by the *BC Public Sector Pension Plans Act*. The pension plan is a multi-employer contributory defined benefit pension plan with about 125,000 active contributors. Joint trusteeship was established effective April 5, 2001. The board of trustees, representing plan members and employers, is fully responsible for the management of the pension plan, including investment of the assets and administration of the plan. The British Columbia Pension Corporation provides benefit administration services and the British Columbia Investment Management Corporation provides investment management services for the pension plan.

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, 2000 indicates a surplus of \$436 million, an improved position of 9% surplus of covered payroll from a 14% unfunded liability of covered payroll as at previous valuation of December 1997. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made. Contributions to the plan by the Authority totaled approximately \$16,630 (2002 - \$14,899) during the year.

(b) Public Service Pension Plan:

Certain of the Authority's branches and their employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. Joint trusteeship was established effective January 1, 2001. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan with about 58,000 active contributors and approximately 27,000 retired plan members.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

12. Commitments and contingencies (continued):

(b) Public Service Pension Plan (continued):

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation was as at March 31, 2002, and disclosed a \$546 million surplus for funding purposes (\$929 million as at the March 31, 1999 valuation). The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made. Contributions to the plan by the Authority totaled approximately \$4,702 (2002 - \$4,673) during the year.

(c) Healthcare Benefit Trust:

Certain of the Authority's branches belong to the Health Employers Association of BC Healthcare Benefit Trust (the "Trust"), which covers group long-term disability, life, accidental death and dismemberment, extended health, and dental claims for unionized employees belonging to the Hospital Employees Union, the British Columbia Nurses Union, the Health Sciences Association, the British Columbia Government Employees Union, and the Professional Association of Residents and Interns and certain non-unionized employees. As at September 30, 2002, this plan disclosed a \$152 million (September 30, 2001 - \$77 million) unfunded actuarial liability resulting mainly from long-term disability claim costs exceeding the related contributions and unfavourable investments results.

In the prior year, the Trust implemented a deficit reduction plan with the objective of eliminating the September 30, 2001 liability over a ten-year period through increased contributions from participating employers commencing April 1, 2002 and improved long-term investment performance. A similar deficit reduction plan has been approved to recover the increase in the unfunded liability for the year ended September 30, 2002. In addition, contribution rates have been increased effective April 1, 2003 to cover the ongoing cost increase of claims experience.

The actuary does not attribute the unfunded liability to individual employers. Consequently, the Authority's share of this unfunded liability cannot be determined. Each employer expenses contributions to the Trust in the year in which payments are made. Contributions to the Trust by the Authority totaled approximately \$4,989 (2002 - \$4,051) during the year.

(d) Construction commitments:

The British Columbia Cancer Agency Branch has a construction project in progress with a total estimated cost of construction of \$99,355 of which \$13,419 (2002 - \$6,477) is included in capital assets as construction in progress. The total estimated cost of related equipment is \$4,810 of which \$4,734 (2002 - \$2,083) is included in deposits on equipment. Funding for this project has been committed by the Canada Foundation for Innovation, BC Knowledge Development Fund and British Columbia Cancer Foundation.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

12. Commitments and contingencies (continued):

(e) Lease commitments:

Certain of the branches lease premises and equipment under leases which expire at various dates. Minimum lease payments for each of the next five years are as follows:

2004	\$ 19,453
2005	1,508
2006	1,354
2007	778
2008	583
	<hr/>
	\$ 23,676

British Columbia Mental Health Society (Riverview) Branch, British Columbia Centre for Disease Control and Prevention Society Branch and Forensic Psychiatric Services Commission lease land and buildings under an operating lease with the British Columbia Buildings Corporation ("BCBC"). These payments include base rent, operating and maintenance costs. The terms and conditions are negotiated annually. Included in the above numbers is \$17,540 for lease payments to BCBC for the year ended March 31, 2004.

(f) Legal contingencies:

The nature of the Authority's activities is such that there is litigation pending or in prospect at any time. With respect to unsettled claims at March 31, 2003, management believes the Authority 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 material effect on the Authority's financial position.

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

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

13. Patient/client revenues:

	2003	2002
Patient/client revenues consist of:		
Medical Services Plan	\$ 19,873	\$ 16,239
Other Provincial Government	2,098	2,161
Non-residents of BC	2,084	1,277
Non-residents of Canada	1,251	814
Residents of BC - Self Pays	1,392	960
Other	731	986
	<u>\$ 27,429</u>	<u>\$ 22,437</u>

14. Restructuring:

The Authority is in the process of implementing the Mental Health Plan approved by the Ministry of Health Services to decentralize mental health across the Province. This will culminate in significant downsizing of the BC Mental Health Society (Riverview) Branch's operations. This restructuring plan will be substantially completed over the next four years. The associated costs consist of severance and related costs that are anticipated as a result of this plan. Included in the financial statements are an accrual for the related compensation and benefits expenses in the amount of \$20 million. The Ministry of Health Services, through PHSA, has provided the funding towards these restructuring costs.

The Authority accrued \$12.5 million for restructuring costs in 2002. Revised estimates of this accrual have given rise to a reduction in prior estimates for these initiatives of \$7.2 million which has been recorded as a reduction in compensation and benefits in the current year.

This amount represents management's best estimate of these restructuring expenses, however, other expenses may be incurred and recorded in future periods as the deficit reduction plan is implemented.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Years ended March 31, 2003 and 2002

15. Related entities:

Foundations and Auxiliaries:

The following branches of the Authority have an economic interest in the Foundations and Auxiliaries listed under them:

British Columbia Cancer Agency Branch:
British Columbia Cancer Foundation
British Columbia Transplant Society Branch:
British Columbia Transplant Foundation
Children's & Women's Health Centre of British Columbia Branch:
British Columbia's Children's Hospital Foundation
Sunny Hill Foundation for Children
British Columbia's Women's Hospital and Health Centre Foundation
The Auxiliary to British Columbia's Children's Hospital
British Columbia's Women's Hospital and Health Centre Auxiliary
Auxiliary to Sunny Hill Centre for Children
British Columbia Mental Health Society (Riverview) Branch
Riverview Hospital Foundation

These foundations are registered charities under the Income Tax Act. The net assets and results from operations of the Foundations and Auxiliaries are not included in the consolidated statements of the Authority.

As at March 31, 2003, the Foundations and Auxiliaries hold net assets of \$98,022 (2002 - \$91,379). During the year, the Foundations granted \$22,996 (2002 - \$18,551) to their affiliated branches to fund certain expenditures.

16. Supplementary information:

	2003	2002
Changes to non-cash operating accounts:		
Restricted cash	\$ 74	\$ (38)
Accounts receivable	(781)	(22,675)
Inventory and prepayments	(3,819)	(2,067)
Accounts payable and accrued liabilities	20,199	31,579
Sick and severance allowances	2,276	1,557
Other long-term benefits	(758)	(826)
Deferred operating contribution	(1,809)	2,570
Deferred contributions for designated purposes	5,571	2,338
	<u>\$ 20,953</u>	<u>\$ 12,438</u>