

Consolidated Financial Statements of

**FRASER HEALTH AUTHORITY**

Year ended March 31, 2014



## Statement of Management Responsibility

The consolidated financial statements of Fraser Health Authority (the “Authority”) for the year ended March 31, 2014 have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) issued by the Public Sector Accounting Board (“PSAB”), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the *Restricted Contributions Regulation 198/2011*. The integrity and objectivity of these statements are management’s responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

The Authority’s internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination considers internal control relevant to management’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority’s internal control. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Fraser Health Authority

  
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**Dr. Nigel Murray,**  
**President and CEO**  
May 28, 2014

  
\_\_\_\_\_  
**Martin Pochurko,**  
**Chief Financial Officer**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Health Authority and The Minister of Health

We have audited the accompanying consolidated financial statements of Fraser Health Authority which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements of Fraser Health Authority as at March 31, 2014 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Accountants

May 28, 2014

Burnaby, Canada

# FRASER HEALTH AUTHORITY

Consolidated Statement of Financial Position  
(Tabular amounts expressed in thousands of dollars)

As at March 31, 2014

	2014	2013
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 287,444	\$ 124,975
Portfolio investments (note 2)	-	179,157
Accounts receivable (note 3)	103,423	132,848
Long-term disability benefits (note 7(b))	72,755	9,193
	<u>463,622</u>	<u>446,173</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	344,906	320,256
Deferred operating contributions (note 5)	3,053	4,379
Debt (note 6)	664,898	647,344
Lease inducements	12,243	13,223
Retirement allowance (note 7(a))	139,400	133,071
Deferred capital contributions (note 8)	958,092	913,795
	<u>2,122,592</u>	<u>2,032,068</u>
<b>Net debt</b>	<u>(1,658,970)</u>	<u>(1,585,895)</u>
<b>Non-financial assets</b>		
Prepaid expenses	46,377	26,205
Inventories held for use (note 9)	9,175	9,084
Tangible capital assets (note 10)	1,486,312	1,406,251
	<u>1,541,864</u>	<u>1,441,540</u>
<b>Accumulated deficit</b>	<u>\$ (117,106)</u>	<u>\$ (144,355)</u>

Commitments and contingencies (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

  
Wynne Powell, Director

  
Karen Matty, Director

# FRASER HEALTH AUTHORITY

Consolidated Statement of Operations and Accumulated Deficit  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	Budget	2014	2013
	(note 1(m))		
<b>Revenues:</b>			
Ministry of Health contributions	\$ 2,591,766	\$ 2,589,674	\$ 2,438,067
Medical Services Plan	157,764	157,650	154,093
Recoveries from other health authorities and B.C. government reporting entities	91,275	98,191	91,595
Amortization of deferred capital contributions (note 8)	80,954	81,336	80,674
Patients, clients and residents (note 12(c))	75,074	76,527	74,054
Other contributions (note 12(b))	68,480	69,359	77,752
Other (note 12(a))	28,532	41,670	39,802
Investment income	2,742	3,138	2,754
	<u>3,096,587</u>	<u>3,117,545</u>	<u>2,958,791</u>
<b>Expenses (note 12(d)):</b>			
Acute	1,751,830	1,781,069	1,693,124
Residential care	543,723	535,891	521,494
Community care	275,923	280,139	258,644
Corporate	225,779	197,177	201,797
Mental health and substance use	221,237	218,143	209,833
Population health and wellness	78,095	77,877	73,579
	<u>3,096,587</u>	<u>3,090,296</u>	<u>2,958,471</u>
Annual surplus	-	27,249	320
Accumulated deficit, beginning of year	(144,355)	(144,355)	(144,675)
Accumulated deficit, end of year	<u>\$ (144,355)</u>	<u>\$ (117,106)</u>	<u>\$ (144,355)</u>

See accompanying notes to consolidated financial statements.

# FRASER HEALTH AUTHORITY

Consolidated Statement of Changes in Net Debt  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	Budget (note 1(m))	2014	2013
Annual surplus	\$ -	\$ 27,249	\$ 320
Acquisition of tangible capital assets	(191,801)	(181,205)	(263,983)
Proceeds from disposal of tangible capital assets	-	1,193	881
Amortization of tangible capital assets	101,500	100,441	102,999
(Gain) on disposals of tangible capital assets	-	(490)	(154)
	(90,301)	(52,812)	(159,937)
Acquisition of inventory held for use	-	(67,157)	(144,371)
Acquisition of prepaid expenses	-	(54,158)	(39,395)
Consumption of inventory held for use	-	67,066	149,370
Use of prepaid expenses	-	33,986	38,711
Transfer of inventories to other Health Authorities	-	-	11,658
	-	(20,263)	15,973
Increase in net debt	(90,301)	(73,075)	(143,964)
Net debt, beginning of year	(1,585,895)	(1,585,895)	(1,441,931)
Net debt, end of year	\$ (1,676,196)	\$ (1,658,970)	\$ (1,585,895)

See accompanying notes to consolidated financial statements.

# FRASER HEALTH AUTHORITY

Consolidated Statement of Cash Flows  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities:		
Annual surplus	\$ 27,249	\$ 320
Items not involving cash:		
Amortization of deferred capital contributions	(81,336)	(80,674)
Amortization of tangible capital assets	100,441	102,999
Amortization of lease inducements	(980)	(980)
(Gain) on disposal of tangible capital assets	(490)	(154)
Retirement allowance expense	13,509	13,723
Long-term disability benefits expense	6,339	24,368
Interest expense	36,323	36,025
Interest income	(3,138)	(2,754)
	97,917	92,873
Net change in non-cash operating items (note 13(a))	32,486	67,460
Interest paid	(36,203)	(35,464)
Interest received	3,000	1,863
Net change in cash from operating activities	97,200	126,732
Capital activities:		
Proceeds from disposal of tangible capital assets	1,193	881
Acquisition of tangible capital assets (note 13(b))	(160,334)	(173,710)
Net change in cash from capital activities	(159,141)	(172,829)
Investing activities:		
Investments in portfolio investments	-	1,655
Proceeds from disposals of portfolio investments	179,294	-
Net change in cash from investing activities	179,294	1,655
Financing activities:		
Retirement allowance benefits paid	(7,180)	(2,531)
Long-term disability benefits contributions	(69,901)	(50,565)
Repayment of debt	(3,436)	(3,143)
Capital contributions	125,633	170,633
Net change in cash from financing activities	45,116	114,394
Increase in cash and cash equivalents	162,469	69,952
Cash and cash equivalents, beginning of year	124,975	55,023
Cash and cash equivalents, end of year	\$ 287,444	\$ 124,975



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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Fraser Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a registered charity under the *Income Tax Act* and as such, is exempt from income and capital taxes.

The Authority provides services including inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, residential care, specialized children's services and programs, community, home care and home support services, and environmental and public health services.

## 1. Significant accounting policies:

### (a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by *Regulations 257/2010 and 198/2011* issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

*Regulation 257/2010* requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

*Regulation 198/2011* requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

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

- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Authority.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under *Regulation 198/2011* are significantly different from the requirements of PSAS which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

### (b) Basis of consolidation:

The Authority and the Provincial Health Service Authority (“PHSA”) own Abbotsford Regional Hospital and Cancer Centre Inc. (“ARHCC Inc.”) in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Authority and 18 (15%) common shares are held by the PHSA. The Authority’s interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements.

### (c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

### (d) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight line basis over the lease term.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (e) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Authority reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

### (f) Employee benefits:

#### (i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability benefit plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations 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. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2013 - 10 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (f) Employee benefits (continued):

#### (ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

#### (iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

#### (iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Authority to pay benefits occurs.

### (g) Non-financial assets:

#### (i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	20 years
Buildings	10 - 50 years
Equipment	4 - 20 years
Information systems	3 - 5 years
Leasehold improvements	Lease term

Assets under construction or development are not amortized until the asset is available for productive use.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (g) Non-financial assets (continued):

#### (i) Tangible capital assets (continued):

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the consolidated statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

#### (ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

#### (iii) Prepaid expenses

Prepaid expenses are recorded at cost and amortized over the period when the service benefits are received.

### (h) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Authority in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (h) Revenue recognition (continued):

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

### (i) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

### (j) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of operations.

### (k) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (k) Financial instruments (continued):

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

### (l) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance and maintain the assets. The cost of the assets under construction are estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the Authority.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in debt.

Upon substantial completion, the private sector partner receives monthly payments over the term of project agreement to cover the partner's operating costs, financing costs and a return of the capital.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 1. Significant accounting policies (continued):

### (m) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's initial budget conditionally approved by the Board of Directors on April 24, 2013. Note 16 reconciles the initial approved budget to the budget reflected in the consolidated statement of operations and accumulated deficit and the consolidated statement of changes in net debt.

### (n) Future accounting standards:

In June 2010, PSAB issued PS 3260, *Liability for Contaminated Sites*. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the standard are as follows:

- A liability should be recognized when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage;
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

PS 3260 is effective for the Authority's fiscal year ending March 31, 2015. Management is continuously assessing the potential impact of adoption of PS 3260 on the consolidated financial statements of the Authority. The magnitude of the impact of PS 3260 on the consolidated financial statements will depend on the existence of contaminated sites as at March 31, 2015, if any.



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 2. Cash and cash equivalents and portfolio investments:

	2014	2013
Cash and cash equivalents	\$ 287,444	\$ 124,975
Portfolio investments	-	179,157
	287,444	304,132
Amounts restricted for capital purposes	(91,920)	(104,742)
Amounts restricted for P3 projects	(92,435)	(80,409)
Amounts restricted for patient comfort funds	(457)	(443)
Unrestricted cash and cash equivalents and portfolio investments	\$ 102,632	\$ 118,538

During the year, portfolio investments were transferred to the B.C. Ministry of Finance Central Deposit Program.

## 3. Accounts receivable:

	2014	2013
Other health authorities and BC government reporting entities	\$ 43,382	\$ 48,662
Patients, clients and residents	17,766	16,107
Medical Services Plan	15,917	17,949
Federal government	9,985	15,332
Foundations and auxiliaries	8,372	4,271
Ministry of Health	7,892	20,622
Regional Hospital Districts	-	9,109
Other	4,120	5,191
	107,434	137,243
Allowance for doubtful accounts	(4,011)	(4,395)
	\$ 103,423	\$ 132,848

## 4. Accounts payable and accrued liabilities:

	2014	2013
Trade accounts payable and accrued liabilities	\$ 166,368	\$ 151,603
Salaries and benefits payable	104,673	98,580
Accrued vacation pay	73,865	70,073
	\$ 344,906	\$ 320,256

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 5. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes, such as multi-year projects and research.

	2014	2013
Deferred operating contributions, beginning of year	\$ 4,379	\$ 4,831
Contributions received during the year for specific purposes	1,538	1,960
Amounts recognized as revenue in the year	(2,864)	(2,412)
Deferred operating contributions, end of year	\$ 3,053	\$ 4,379

## 6. Debt:

	2014	2013
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in monthly payments including annual interest of 7.75%, in accordance with the project agreement terms	\$ 320,864	\$ 320,745
Surrey Memorial Hospital Redevelopment Project, 30 year contract to February 2044 with Integrated Team Solutions SMH Partnership, payable in monthly payments including annual interest of 7.76%, payable in accordance with the project agreement terms	179,550	158,769
Jim Pattison Outpatient Care and Surgery Centre, 30 year contract to March 2041 with BCHS Healthcare (Surrey) Limited Partnership, payable in monthly payments including annual interest of 6.21%, payable in accordance with the project agreement terms	164,484	167,830
	\$ 664,898	\$ 647,344

Required principal repayments on P3 debt for the years ending March 31 are disclosed with public-private partnership commitments in note 11(e).

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 7. Employee benefits:

### (a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2013 and extrapolated to March 31, 2014 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2014 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	2014	2013
Accrued benefit obligation:		
Severance benefits	\$ 75,593	\$ 70,632
Sick leave benefits	57,352	53,103
	132,945	123,735
Unamortized actuarial gain	6,455	9,336
Accrued benefit obligation	\$ 139,400	\$ 133,071

The accrued benefit obligation for retirement allowance reported on the consolidated statement of financial position is as follows:

	2014	2013
Accrued benefit obligation, beginning of year	\$ 133,071	\$ 121,879
Net benefit expense:		
Current service cost	8,948	8,555
Interest expense	5,507	5,407
Plan amendment	-	1,101
Amortization of actuarial gain	(946)	(1,340)
Net benefit expense	13,509	13,723
Benefits paid	(7,180)	(6,414)
Accrued benefit obligation transferred from (to) other health organizations	-	3,883
Accrued benefit obligation, end of year	\$ 139,400	\$ 133,071

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 7. Employee benefits (continued):

### (a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement benefit obligation are as follows:

	2014	2013
Accrued benefit obligation as at March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.41%	4.44%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

### (b) Healthcare Benefit Trust 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 Authority and other provincially-funded organizations.

The Authority and all other participating employers are jointly responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

#### (i) Long-term disability benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997. The Authority's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Authority's net trust assets are reflected in these consolidated financial statements.

The Authority's assets are based on the actuarial valuation at December 31, 2013, with the next expected valuation as of December 31, 2014.

The long-term disability benefits asset reported on the consolidated statement of financial position is as follows:

	2014	2013
Accrued benefit obligation	\$ 209,970	\$ 209,131
Fair value of plan assets	282,725	218,324
Long-term disability benefits	\$ (72,755)	\$ (9,193)

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability benefits (continued):

	2014	2013
Long-term disability benefits obligation (asset), beginning of year	\$ (9,193)	\$ 17,004
Net benefit expense:		
Long term disability expense	42,058	47,994
Interest expense	11,757	11,793
Employees' payments	(1,907)	(2,295)
Expected return on assets	(12,881)	(11,021)
Actuarial (gain)/loss	(32,688)	(22,103)
Net benefit expense	6,339	24,368
Contributions to the plan	(61,928)	(50,565)
Transfer of pool surplus	(7,973)	-
Long-term disability benefits, end of year	\$ (72,755)	\$ (9,193)
Benefits paid to claimants	\$ 36,944	\$ 36,752
Plan assets consist of:		
	2014	2013
Debt securities	44%	52%
Foreign equities	40%	26%
Canadian equities and other	16%	22%
Total	100%	100%

During 2014, the Trust Board approved a transfer from the non-segregated health and welfare benefits plan to the segregated long-term disability plans. The Authority's share of this transfer was \$7.9 million.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 7. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits (continued):

#### (i) Long-term disability benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's long-term disability asset are as follows:

	2014	2013
Accrued benefit asset as at March 31:		
Discount rate	5.80%	5.60%
Rate of benefit increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.50%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.50%

Actual long-term rate of return on plan assets was 14.30% for the year ended December 31, 2013 (December 31, 2012 - 6.0%).

#### (ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$51.1 million (2013 - \$51.2 million) were expensed during the year. The most recent actuarial valuation at December 31, 2013 indicated a surplus of \$62.5 million. The plan covers approximately 90,000 active members, of which approximately 18,000 are employees of the Authority. The Authority's next expected actuarial valuation will be as of December 31, 2014.

### (c) Employee pension benefits:

The Authority 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 \$ 91.1 million (2013 - \$84.3 million) were expensed during the year. 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 actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately \$1,370.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 20,500 (2013- 20,000) are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2015.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 7. Employee benefits (continued):

### (c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$3.1 million (2013 - \$3.1 million) were expensed during the year. 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 actuarial valuation for the plan at March 31, 2011, indicated an unfunded liability of approximately \$226.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 56,000 active members, of which approximately 500 (2013 - 550) are employees of the Authority. The next expected actuarial valuation was as of March 31, 2014 with results available in early 2015.

## 8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for tangible capital assets.

	2014	2013
Deferred capital contributions, beginning of year	\$ 913,795	\$ 823,836
Capital contributions received:		
Ministry of Health	98,762	149,867
Regional hospital district	11,644	11,801
Foundations and auxiliaries	11,517	7,269
Other	3,710	1,696
	125,633	170,633
Amortization for the year	(81,336)	(80,674)
Deferred capital contributions, end of year	\$ 958,092	\$ 913,795

Deferred capital contributions are comprised of the following:

	2014	2013
Contribution used to purchase tangible capital assets	\$ 866,172	\$ 809,053
Unspent contributions	91,920	104,742
	\$ 958,092	\$ 913,795

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 9. Inventories held for use:

	2014	2013
Pharmaceuticals	\$ 6,342	\$ 5,982
Medical supplies	2,833	3,102
	<u>\$ 9,175</u>	<u>\$ 9,084</u>

## 10. Tangible capital assets:

Cost	2013	Additions	Disposals	Transfers	2014
Land	\$ 25,175	\$ 493	\$ (3)	\$ -	\$ 25,665
Land improvements	8,890	104	-	-	8,994
Buildings	1,426,637	63,737	(4,469)	319,624	1,805,529
Equipment	618,156	24,182	(11,493)	13,520	644,365
Information systems	89,706	12,815	(43)	3,166	105,644
Leasehold improvements	28,306	13	-	11	28,330
Construction in progress	339,972	47,413	-	(319,653)	67,732
Equipment and information systems in progress	25,019	32,448	-	(16,668)	40,799
<b>Total</b>	<b>\$ 2,561,861</b>	<b>\$ 181,205</b>	<b>\$ (16,008)</b>	<b>\$ -</b>	<b>\$ 2,727,058</b>

Accumulated amortization	2013	Amortization	Disposals	2014
Land improvements	\$ 5,342	\$ 271	\$ -	\$ 5,613
Buildings	611,233	45,164	(4,080)	652,317
Equipment	468,445	45,387	(11,182)	502,650
Information systems	63,262	8,028	(43)	71,247
Leasehold improvements	7,328	1,591	-	8,919
<b>Total</b>	<b>\$ 1,155,610</b>	<b>\$ 100,441</b>	<b>\$ (15,305)</b>	<b>\$ 1,240,746</b>



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 10. Tangible capital assets (continued):

Cost	2012	Additions	Disposals	Transfers	2013
Land	\$ 25,175	\$ -	\$ -	\$ -	\$ 25,175
Land improvements	7,834	814	-	242	8,890
Buildings	1,399,899	7,956	(1,721)	20,503	1,426,637
Equipment	614,022	19,871	(21,106)	5,369	618,156
Information systems	91,958	10,354	(12,993)	387	89,706
Leasehold improvements	28,057	231	-	18	28,306
Construction in progress	158,519	202,581	-	(21,128)	339,972
Equipment and information systems in progress	8,234	22,176	-	(5,391)	25,019
<b>Total</b>	<b>\$ 2,333,698</b>	<b>\$ 263,983</b>	<b>\$ (35,820)</b>	<b>\$ -</b>	<b>\$ 2,561,861</b>

Accumulated amortization	2012	Amortization	Disposals	2013
Land improvements	\$ 5,121	\$ 221	\$ -	\$ 5,342
Buildings	569,497	43,392	(1,656)	611,233
Equipment	438,790	50,114	(20,459)	468,445
Information systems	68,548	7,692	(12,978)	63,262
Leasehold improvements	5,748	1,580	-	7,328
<b>Total</b>	<b>\$ 1,087,704</b>	<b>\$ 102,999</b>	<b>\$ (35,093)</b>	<b>\$ 1,155,610</b>

Net book value	2014	2013
Land	\$ 25,665	\$ 25,175
Land improvements	3,381	3,548
Buildings	1,153,212	815,404
Equipment	141,715	149,711
Information systems	34,397	26,444
Leasehold improvements	19,411	20,978
Construction in progress	67,732	339,972
Equipment and information systems in progress	40,799	25,019
<b>Total</b>	<b>\$ 1,486,312</b>	<b>\$ 1,406,251</b>

During the year \$11.7 million (2013 - \$7.8 million) of interest has been capitalized to construction projects in progress.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 10. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2014	2013
Deferred capital contributions	\$ 866,172	\$ 809,053
Debt	648,218	630,089
Internally funded	(28,078)	(32,891)
<b>Tangible capital assets</b>	<b>\$ 1,486,312</b>	<b>\$ 1,406,251</b>

## 11. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2014, the Authority had outstanding commitments for construction, equipment and information systems in progress of \$27.7 million (2013 - \$80.0 million).

(b) Contractual obligations:

The Authority has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

2015	\$ 56,584
2016	33,902
2017	9,250
2018	9,416
2019	1,196
Thereafter	1,996
	<b>\$ 112,344</b>

(c) Residential care and health care service provider contracts:

The Authority has entered into contracts with 998 service providers to provide residential care and health services. The aggregate annual commitments for these contracts for the year ending March 31, 2015 are \$539.0 million (2013 - \$529.4 million).

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 11. Commitments and contingencies (continued):

### (d) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2015	\$	23,185
2016		20,676
2017		18,785
2018		17,349
2019		16,394
Thereafter		122,930
	\$	219,319

### (e) Public-private partnerships commitments:

The Authority has entered into multiple-year P3 contracts to design, build, finance and maintain the Abbotsford Regional Hospital and Cancer Centre, the Jim Pattison Outpatient Care and Surgery Centre and the Surrey Memorial Hospital Redevelopment Project. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. As construction progresses the asset values are recorded as capital assets and the corresponding liabilities are recorded as debt and disclosed in Note 6. Facilities management and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Capital and financing	FM and lifecycle	Total payments
2015	\$ 54,281	\$ 27,926	\$ 82,207
2016	54,926	29,510	84,436
2017	55,439	32,170	87,609
2018	56,037	30,279	86,316
2019	56,721	32,790	89,511
Thereafter	1,289,665	1,006,967	2,296,632
	\$ 1,567,069	\$ 1,159,642	\$ 2,726,711

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 11. Commitments and contingencies (continued):

(e) Public-private partnerships commitments (continued):

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

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2015	\$	5,502
2016		6,348
2017		7,299
2018		8,405
2019		9,678
Thereafter		627,666
	\$	664,898

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(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2014, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(g) Asset retirement obligations:

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. At this time, the Authority has not recognized these asset retirement obligations as there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 12. Consolidated statement of operations:

(a) Other revenues:

	2014	2013
Parking	\$ 12,077	\$ 11,403
Compensation recoveries	10,604	9,932
Recoveries from sale of goods and services	4,353	3,846
Other	14,636	14,621
	\$ 41,670	\$ 39,802

(b) Other contributions:

	2014	2013
Other health authorities	\$ 62,578	\$ 71,397
Other ministries	4,601	4,922
Other	2,180	1,433
	\$ 69,359	\$ 77,752

(c) Patients, clients and residents revenue:

	2014	2013
Long-term and extended care	\$ 30,718	\$ 29,879
WorkSafe BC	13,492	13,211
Non-residents of Canada	11,691	10,553
Non-residents of BC	10,716	8,847
Residents of BC self pay	3,331	3,434
Preferred accommodation	3,267	3,742
Federal government	1,812	3,041
Other	1,500	1,347
	\$ 76,527	\$ 74,054

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 12. Consolidated statement of operations (continued):

(d) The following is a summary of expenses by object:

	2014	2013
<b>Compensation:</b>		
Compensation	\$ 1,451,510	\$ 1,379,886
Employee benefits	299,755	302,091
(Gain) loss on event-driven employee benefits	(32,688)	(22,103)
	<u>1,718,577</u>	<u>1,659,874</u>
<b>Referred-out and contracted services:</b>		
Health and support services providers	606,850	588,793
Other health authorities and BC government reporting entities	208,046	177,392
	<u>814,896</u>	<u>766,185</u>
<b>Supplies:</b>		
Medical and surgical	120,247	115,629
Drug and medical gases	60,814	58,404
Diagnostic	21,030	19,347
Food and dietary	13,219	12,934
Laundry and linen	10,485	10,076
Printing, stationery and office	5,916	5,638
Housekeeping	4,276	3,535
Other	16,906	15,706
	<u>252,893</u>	<u>241,269</u>
<b>Equipment and building services:</b>		
Equipment	50,819	43,163
Rent	38,075	31,405
Plant operation (utilities)	15,171	12,171
Building and ground service contracts	5,619	5,754
Other	4,282	5,612
	<u>113,966</u>	<u>98,105</u>
Amortization of tangible capital assets	100,441	102,999
<b>Sundry:</b>		
Patient transport	10,610	10,999
Professional fees	8,492	8,213
Travel	7,597	7,135
Communication and data processing	6,769	6,447
Other	19,732	21,220
	<u>53,200</u>	<u>54,014</u>
Interest on debt	36,323	36,025
	<u>\$ 3,090,296</u>	<u>\$ 2,958,471</u>

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 13. Supplementary cash flow information:

### (a) Net change in non-cash operating items:

	2014	2013
Accounts receivable	\$ 29,425	\$ (9,503)
Accounts payable and accrued liabilities	24,650	61,442
Deferred operating contributions	(1,326)	(452)
Inventories held for use	(91)	16,657
Prepaid expenses	(20,172)	(684)
	\$ 32,486	\$ 67,460

### (b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of tangible capital assets on the consolidated statement of cash flows.

	2014	2013
Acquisition of tangible capital assets	\$ 181,205	\$ 263,983
Construction financed with debt	(20,871)	(90,273)
	\$ 160,334	\$ 173,710

## 14. Related party and other agency operations:

### (a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 14. Related party and other agency operations (continued):

### (a) BC government reporting entities (continued):

The consolidated financial statements include transactions and balances with these parties in the following amounts:

	2014	2013
<b>Revenue:</b>		
Ministry of Health contributions	\$ 2,589,674	\$ 2,438,067
Medical Services Plan	157,650	154,093
Recoveries from other health authorities and BC government reporting entities	98,191	91,595
Other contributions	68,784	77,181
Amortization of deferred capital contributions	63,676	60,766
Patients, clients and residents	10,716	8,847
	<b>\$ 2,988,691</b>	<b>\$ 2,830,549</b>
<b>Expenses:</b>		
Referred-out and contracted services	\$ 208,046	\$ 177,392
Supplies	91,833	-
Sundry	13,202	14,525
Equipment and building services	7,155	5,859
	<b>\$ 320,236</b>	<b>\$ 197,776</b>
<b>Accounts receivable:</b>		
Other health authorities and BC Government reporting entities	\$ 43,382	\$ 48,662
Medical Services Plan	15,917	17,949
Ministry of Health	7,892	20,622
	<b>\$ 67,191</b>	<b>\$ 87,233</b>
Accounts payable and accrued liabilities	\$ 48,538	\$ 39,597
Deferred operating contributions	201	609
Deferred capital contributions	829,882	816,323



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 14. Related party and other agency operations (continued):

### (b) Hospital foundations:

Within the Authority area, there are separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act of Canada*. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the consolidated financial statements of the Authority. During the year, the foundations granted \$12.8 million (2013 - \$7.5 million) and the auxiliaries granted \$1.2 million (2013 - \$1.7 million) to various facilities within the Authority.

#### Foundations:

- Burnaby Hospital Foundation
- Delta Hospital Foundation
- Eagle Ridge Hospital Foundation
- Fraser Valley Health Care Foundation
- Langley Memorial Hospital Foundation
- Peace Arch Hospital and Community Health Foundation
- Queen's Park Healthcare Foundation
- Ridge Meadows Hospital Foundation
- Royal Columbian Hospital Foundation
- Surrey Memorial Hospital Foundation

#### Auxiliaries:

- Delta Hospital Auxiliary Society
- Eagle Ridge Hospital Auxiliary
- Auxiliary to Fraser Canyon Hospital and Fraser Hope Lodge
- Langley Memorial Hospital Auxiliaries Council
- Peace Arch Hospital Auxiliary Society
- Auxiliary to Ridge Meadows Hospital
- Royal Columbian Hospital Auxiliary
- Surrey Memorial Hospital Auxiliary

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 15. Risk management:

The Authority is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Authority's financial instruments is provided below by type of risk.

### (a) Credit risk:

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts. As at March 31, 2014, the amount of allowance for doubtful accounts was \$4.0 million (2013 - \$4.4 million).

The Authority is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

### (b) Liquidity risk:

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Authority's principal source of funding is from the Ministry. The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Authority has complied with the external restrictions on the funding provided.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 15. Risk management (continued):

### (b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature:

2014 Financial assets	Up to 1 year	1 to 5 years	Over 5 Years
Cash and cash equivalents	\$ 287,444	\$ -	\$ -
Accounts receivable	103,423	-	-
<b>Total financial assets</b>	<b>\$ 390,867</b>	<b>\$ -</b>	<b>\$ -</b>

2014 Liabilities	Up to 1 year	1 to 5 years	Over 5 Years
Accounts payable and accrued liabilities	\$ 344,906	\$ -	\$ -
Debt	5,502	31,730	627,666
<b>Total liabilities</b>	<b>\$ 350,408</b>	<b>\$ 31,730</b>	<b>\$ 627,666</b>

2013 Financial assets	Up to 1 year	1 to 5 years	Over 5 Years
Cash and cash equivalents	\$ 124,975	\$ -	\$ -
Portfolio investments	170,863	8,294	-
Accounts receivable	132,848	-	-
<b>Total financial assets</b>	<b>\$ 428,686</b>	<b>\$ 8,294</b>	<b>\$ -</b>

2013 Liabilities	Up to 1 year	1 to 5 years	Over 5 Years
Accounts payable and accrued liabilities	\$ 320,256	\$ -	\$ -
Debt	4,665	28,616	614,063
<b>Total liabilities</b>	<b>\$ 324,921</b>	<b>\$ 28,616</b>	<b>\$ 614,063</b>

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

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## 15. Risk management (continued):

### (c) Foreign exchange risk:

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in USA dollars and other currencies. Currency most contributing to the foreign exchange risk is US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2014	2013
US dollar per Canadian dollar	\$ 0.905	\$ 0.984

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2014

## 16. Budget:

The initial budget conditionally approved by the Board on April 24, 2013 was subsequently revised based on discussions between the Board and the Ministry. The revisions are as follows:

	Board approved plan	Reallocations	Restated budget
<b>Revenues:</b>			
Provincial Government sources	\$ 2,905,569	\$ (2,905,569)	\$ -
Non-provincial Government sources	137,337	(137,337)	-
Ministry of Health contributions	-	2,589,004	2,589,004
Medical Services Plan	-	157,764	157,764
Recoveries from other health authorities and BC government reporting entities	-	91,060	91,060
Amortization of deferred capital contributions	-	80,954	80,954
Patients, clients and residents	-	76,216	76,216
Other contributions	-	69,111	69,111
Other	-	28,339	28,339
Investment Income	-	2,742	2,742
	3,042,906	52,284	3,095,190
<b>Expenses:</b>			
Acute	1,692,727	58,311	1,751,038
Residential care	561,005	(17,527)	543,478
Community care	255,389	20,410	275,799
Corporate	236,474	(10,797)	225,677
Mental health and substance use	220,190	948	221,138
Population health and wellness	77,121	939	78,060
	3,042,906	52,284	3,095,190
<b>Annual surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 17. Comparative figures:

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.