

Consolidated Financial Statements of

FRASER HEALTH AUTHORITY

Year ended March 31, 2015



Statement of Management Responsibility

The consolidated financial statements of Fraser Health Authority (the “Authority”) for the year ended March 31, 2015 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, PricewaterhouseCoopers 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 consolidated 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


Michael Marchbank,
President and CEO
Martin Pochurko,
Chief Financial Officer

May 28, 2015



May 28, 2015

Independent Auditor's Report

To the Board of Directors of Fraser Health Authority and the Minister of Health, Province of British Columbia

We have audited the accompanying consolidated financial statements of Fraser Health Authority, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements which comprise the statement of financial position of Fraser Health Authority as at March 31, 2015 and the results of its consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and the related notes are prepared, in all material respects, in accordance with 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 your attention to note 1 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.

PricewaterhouseCoopers LLP

Chartered Accountants

FRASER HEALTH AUTHORITY

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

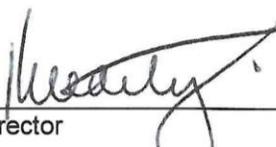
As at March 31, 2015

	2015	2014
Financial assets		
Cash and cash equivalents (note 2)	\$ 347,322	\$ 287,444
Accounts receivable (note 3)	97,628	103,423
Long-term disability and health and welfare benefits (note 7(b))	72,599	72,755
	517,549	463,622
Liabilities		
Accounts payable and accrued liabilities (note 4)	364,698	344,906
Deferred operating contributions (note 5)	2,842	3,053
Debt (note 6)	659,397	664,898
Lease inducements	11,947	12,243
Retirement allowance (note 7(a))	145,712	139,400
Deferred capital contributions (note 8)	966,477	958,092
	2,151,073	2,122,592
Net debt	(1,633,524)	(1,658,970)
Non-financial assets		
Prepaid expenses	41,836	46,377
Inventories held for use (note 9)	8,382	9,175
Tangible capital assets (note 10)	1,467,772	1,486,312
	1,517,990	1,541,864
Accumulated deficit	\$ (115,534)	\$ (117,106)

Commitments and contingencies (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

	Budget (note 1(m))	2015	2014
Revenues:			
Ministry of Health contributions	\$ 2,717,253	\$ 2,679,911	\$ 2,589,674
Medical Services Plan	158,199	163,925	157,650
Recoveries from other health authorities and BC government reporting entities	93,787	101,663	98,191
Amortization of deferred capital contributions (note 8)	93,024	91,608	81,336
Patients, clients and residents (note 12(a))	78,129	82,089	76,527
Other contributions (note 12(b))	69,923	74,520	69,359
Other (note 12(c))	31,301	40,405	41,670
Investment income	2,742	3,363	3,138
	<u>3,244,358</u>	<u>3,237,484</u>	<u>3,117,545</u>
Expenses (note 12(d)):			
Acute	1,873,964	1,893,608	1,781,069
Residential care	547,697	544,780	535,891
Community care	289,533	289,088	280,139
Corporate	227,104	200,612	197,177
Mental health and substance use	225,901	228,747	218,143
Population health and wellness	80,159	79,077	77,877
	<u>3,244,358</u>	<u>3,235,912</u>	<u>3,090,296</u>
Annual surplus	-	1,572	27,249
Accumulated deficit, beginning of year	(117,106)	(117,106)	(144,355)
Accumulated deficit, end of year	<u>\$ (117,106)</u>	<u>\$ (115,534)</u>	<u>\$ (117,106)</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, 2015

	Budget (note 1(m))	2015	2014
Annual surplus	\$ -	\$ 1,572	\$ 27,249
Acquisition of tangible capital assets	(141,229)	(96,565)	(181,205)
Proceeds from disposal of tangible capital assets	-	724	1,193
Amortization of tangible capital assets	114,900	113,871	100,441
Loss (gain) on disposal of tangible capital assets	-	510	(490)
	(26,329)	20,112	(52,812)
Acquisition of inventories held for use	-	(66,208)	(67,157)
Acquisition of prepaid expenses	-	(22,748)	(54,158)
Consumption of inventories held for use	-	67,001	67,066
Use of prepaid expenses	-	27,289	33,986
	-	5,334	(20,263)
Decrease (increase) in net debt	(26,329)	25,446	(73,075)
Net debt, beginning of year	(1,658,970)	(1,658,970)	(1,585,895)
Net debt, end of year	\$ (1,685,299)	\$ (1,633,524)	\$ (1,658,970)

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, 2015

	2015	2014
Cash flows from (used in) operating activities:		
Annual surplus	\$ 1,572	\$ 27,249
Items not involving cash:		
Amortization of deferred capital contributions	(91,608)	(81,336)
Amortization of tangible capital assets	113,871	100,441
Amortization of lease inducements	(1,042)	(980)
Loss (gain) on disposal of tangible capital assets	510	(490)
Retirement allowance expense	14,455	13,509
Long-term disability and health and welfare benefits expense	27,252	6,339
Interest expense	48,780	36,323
Interest income	(3,363)	(3,138)
	110,427	97,917
Net change in non-cash operating items (note 13(a))	30,710	32,486
Interest paid	(48,780)	(36,203)
Interest received	3,363	3,000
Net change in cash from operating activities	95,720	97,200
Capital activities:		
Proceeds from disposal of tangible capital assets	724	1,193
Acquisition of tangible capital assets (note 13(b))	(96,565)	(160,334)
Net change in cash from capital activities	(95,841)	(159,141)
Investing activities:		
Proceeds from disposals of portfolio investments	-	179,294
Net change in cash from investing activities	-	179,294
Financing activities:		
Retirement allowance benefits paid	(8,143)	(7,180)
Lease inducements	746	-
Long-term disability and health and welfare benefits contributions	(27,096)	(69,901)
Repayment of debt	(5,501)	(3,436)
Capital contributions	99,993	125,633
Net change in cash from financing activities	59,999	45,116
Increase in cash and cash equivalents	59,878	162,469
Cash and cash equivalents, beginning of year	287,444	124,975
Cash and cash equivalents, end of year	\$ 347,322	\$ 287,444

Supplementary cash flow information (note 13)

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

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, 2015

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 Services 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, 2015

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 and health and welfare 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 (2014 - 10 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligations 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, 2015

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, 2015

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, 2015

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 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, 2015

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 is 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 the 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, 2015

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 June 27, 2014.

(n) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the consolidated financial statements of the Authority.

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the consolidated financial statements of the Authority.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

2. Cash and cash equivalents:

	2015	2014
Cash and cash equivalents	\$ 347,322	\$ 287,444
Amounts restricted for capital purposes	(116,547)	(97,909)
Amounts restricted for P3 projects	(104,695)	(92,435)
Amounts restricted for patient comfort funds	(520)	(457)
Unrestricted cash and cash equivalents	\$ 125,560	\$ 96,643

3. Accounts receivable:

	2015	2014
Other health authorities and BC government reporting entities	\$ 45,751	\$ 43,382
Medical Services Plan	20,207	15,917
Patients, clients and residents	19,190	17,766
Federal government	2,544	9,985
Foundations and auxiliaries	7,579	8,372
Ministry of Health	2,503	7,892
Other	4,278	4,120
	102,052	107,434
Allowance for doubtful accounts	(4,424)	(4,011)
	\$ 97,628	\$ 103,423

4. Accounts payable and accrued liabilities:

	2015	2014
Trade accounts payable and accrued liabilities	\$ 168,810	\$ 166,368
Salaries and benefits payable	117,699	104,673
Accrued vacation pay	78,189	73,865
	\$ 364,698	\$ 344,906

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

5. Deferred operating contributions:

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

	2015	2014
Deferred operating contributions, beginning of year	\$ 3,053	\$ 4,379
Contributions received during the year for specific purposes	1,582	1,538
Amounts recognized as revenue in the year	(1,793)	(2,864)
Deferred operating contributions, end of year	\$ 2,842	\$ 3,053

6. Debt:

	2015	2014
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%, payable in accordance with the project agreement terms	\$ 320,499	\$ 320,864
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	177,939	179,550
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	160,959	164,484
	\$ 659,397	\$ 664,898

Required principal repayments on P3 debt for the years ending March 31 are disclosed with P3 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, 2015

7. Employee benefits:

(a) Retirement allowance:

Certain employees with 10 or 20 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, 2014 and extrapolated to March 31, 2015 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2015 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits is as follows:

	2015	2014
Accrued benefit obligation:		
Severance benefits	\$ 75,839	\$ 75,593
Sick leave benefits	57,832	57,352
	133,671	132,945
Unamortized actuarial gain	12,041	6,455
Accrued benefit liability	\$ 145,712	\$ 139,400

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

	2015	2014
Accrued benefit liability, beginning of year	\$ 139,400	\$ 133,071
Net benefit expense:		
Current service cost	9,420	8,948
Interest expense	5,787	5,507
Amortization of actuarial gain	(752)	(946)
Net benefit expense	14,455	13,509
Benefits paid	(8,143)	(7,180)
Accrued benefit liability, end of year	\$ 145,712	\$ 139,400

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

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:

	2015	2014
Accrued benefit obligation as at March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.26%	4.41%
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 benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") 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 and health and welfare benefits:

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, the Authority's net trust assets are reflected in these consolidated financial statements.

The Authority's net assets as of March 31, 2015 are based on the actuarial valuation at December 31, 2014, extrapolated to March 31, 2015. In prior years, the actuarial valuation was not extrapolated to March 31, resulting in an adjustment to the net assets of \$2.7 million. The next expected valuation is as of December 31, 2015.

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

	2015	2014
Accrued benefit obligation	\$ 257,291	\$ 209,970
Fair value of plan assets	329,890	282,725
Long-term disability and health and welfare benefits asset	\$ (72,599)	\$ (72,755)

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

	2015	2014
Long-term disability benefits, beginning of year	\$ (72,755)	\$ (9,193)
Net benefit expense:		
Long-term disability expense	40,478	42,058
Health and welfare benefit expense	11,011	-
Interest expense	12,151	11,757
Employees' payments	(781)	(1,907)
Expected return on assets	(15,726)	(12,881)
Actuarial gain	(17,209)	(32,688)
Net benefit expense	29,924	6,339
Contributions to the plan	(4,656)	(61,928)
Transfer of health and welfare benefits surplus (note 7(b)(ii))	(22,440)	(7,973)
Effect of change in plan valuation date	(2,672)	-
Long-term disability and health and welfare benefits asset, end of year	\$ (72,599)	\$ (72,755)
Benefits paid to claimants	\$ 38,333	\$ 36,944

Plan assets consist of:

	2015	2014
Debt securities	44%	44%
Foreign equities	40%	40%
Canadian equities and other	16%	16%
Total	100%	100%

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

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

	2015	2014
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.80%
Rate of benefit increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.60%
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	5.80%	5.60%

Actual long-term rate of return on plan assets was 10.8% for the year ended December 31, 2014 (December 31, 2013 - 14.3%).

(ii) Health and welfare benefits:

The health and welfare benefits administered by the Trust on behalf of the Authority were part of a multi-employer pool within the Trust prior to December 31, 2014. Contributions to this pool by the Authority for the nine month period ended December 31, 2014 of \$35.8 million (twelve months ended March 31, 2014 - \$51.1 million) were expensed during the year. From January 1, 2015, the Authority no longer participates in this pool and the benefits are now provided through the long-term disability and health and welfare benefit plans.

As a result of this change, the Authority's share of the surplus in the multi-employer pool of \$22.4 million was transferred to the segregated long-term disability and health and welfare benefits plan.

(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 \$99.7 million (2014 - \$91.1 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 December 31, 2013 indicated an unfunded liability of approximately \$1,370.0 million. The actuary does not attribute portions of the unfunded

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

7. Employee benefits (continued):

(c) Employee pension benefits (continued):

liability to individual employers. The plan covers approximately 182,000 active members, of which approximately 21,000 (2014 - 20,500) are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2015 with results available in 2016.

Employer contributions to the Public Service Pension Plan of \$2.9 million (2014 - \$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, 2014 indicated a funding surplus of \$392.0 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 (2014 - 500) are employees of the Authority. The next expected actuarial valuation date will be as of March 31, 2017 with results available in early 2018.

8. Deferred capital contributions:

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

	2015	2014
Deferred capital contributions, beginning of year	\$ 958,092	\$ 913,795
Capital contributions received:		
Ministry of Health	81,303	98,762
Foundations and auxiliaries	15,750	11,517
Regional hospital district	-	11,644
Other	2,940	3,710
	99,993	125,633
Amortization for the year	(91,608)	(81,336)
Deferred capital contributions, end of year	\$ 966,477	\$ 958,092

Deferred capital contributions comprise of the following:

	2015	2014
Contribution used to purchase tangible capital assets	\$ 845,688	\$ 866,172
Unspent contributions	120,789	91,920
	\$ 966,477	\$ 958,092

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

9. Inventories held for use:

	2015		2014	
Pharmaceuticals	\$	6,084	\$	6,342
Medical supplies		2,298		2,833
	\$	8,382	\$	9,175

10. Tangible capital assets:

Cost	2014	Additions	Disposals	Transfers	2015
Land	\$ 25,665	\$ -	\$ -	\$ -	\$ 25,665
Land improvements	8,994	310	-	-	9,304
Buildings	1,805,529	28,515	(20)	57,381	1,891,405
Equipment	644,365	35,980	(24,192)	37,154	693,307
Information systems	105,644	3,929	(6)	1,364	110,931
Leasehold improvements	28,330	92	-	920	29,342
Construction in progress	67,732	21,603	-	(57,416)	31,919
Equipment and information systems in progress	40,799	6,136	(128)	(39,403)	7,404
Total	\$ 2,727,058	\$ 96,565	\$ (24,346)	\$ -	\$ 2,799,277

Accumulated amortization	2014	Amortization	Disposals	2015
Land improvements	\$ 5,613	\$ 281	\$ -	\$ 5,894
Buildings	652,317	56,549	(16)	708,850
Equipment	502,650	45,456	(23,090)	525,016
Information systems	71,247	9,941	(6)	81,182
Leasehold improvements	8,919	1,644	-	10,563
Total	\$ 1,240,746	\$ 113,871	\$ (23,112)	\$ 1,331,505

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

10. Tangible capital assets (continued):

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
Total	\$ 2,561,861	\$ 181,205	\$ (16,008)	\$ -	\$ 2,727,058

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
Total	\$ 1,155,610	\$ 100,441	\$ (15,305)	\$ 1,240,746

Net book value	2015	2014
Land	\$ 25,665	\$ 25,665
Land improvements	3,410	3,381
Buildings	1,182,555	1,153,212
Equipment	168,291	141,715
Information systems	29,749	34,397
Leasehold improvements	18,779	19,411
Construction in progress	31,919	67,732
Equipment and information systems in progress	7,404	40,799
Total	\$ 1,467,772	\$ 1,486,312

During the year \$Nil (2014 - \$11.7 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, 2015

10. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2015	2014
Deferred capital contributions	\$ 845,688	\$ 866,172
Debt	643,721	648,218
Internally funded	(21,637)	(28,078)
Tangible capital assets	\$ 1,467,772	\$ 1,486,312

11. Commitments and contingencies:

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

As at March 31, 2015, the Authority had outstanding commitments for construction, equipment and information systems in progress of \$17.8 million (2014 - \$27.7 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:

2016	\$ 37,544
2017	11,769
2018	9,814
2019	1,223
2020	1,248
Thereafter	789
	\$ 62,387

(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, 2016 are \$549.7 million (2015 - \$539.0 million).

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

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:

2016	\$	24,744
2017		22,786
2018		20,589
2019		18,439
2020		16,118
Thereafter		99,336
	\$	202,012

(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 progressed, the asset values were recorded as capital assets and the corresponding liabilities were recorded as debt and disclosed in note 6. FM and lifecycle 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
2016	\$ 54,926	\$ 29,423	\$ 84,349
2017	55,439	32,116	87,555
2018	56,037	30,224	86,261
2019	56,721	32,734	89,455
2020	57,327	31,701	89,028
Thereafter	1,232,338	973,381	2,205,719
	\$ 1,512,788	\$ 1,129,579	\$ 2,642,367

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

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:

2016	\$	6,348
2017		7,299
2018		8,405
2019		9,678
2020		10,966
Thereafter		616,701
	\$	659,397

(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, 2015, 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, 2015

12. Consolidated statement of operations:

(a) Patients, clients and residents revenue:

	2015	2014
Long-term and extended care	\$ 33,126	\$ 30,718
Non-residents of Canada	14,841	11,691
WorkSafe BC	12,530	13,492
Non-residents of BC	11,123	10,716
Residents of BC self pay	3,769	3,331
Preferred accommodation	3,683	3,267
Federal government	1,529	1,812
Other	1,488	1,500
	<u>\$ 82,089</u>	<u>\$ 76,527</u>

(b) Other contributions:

	2015	2014
Other health authorities	\$ 68,380	\$ 62,578
Other ministries	4,543	4,601
Other	1,597	2,180
	<u>\$ 74,520</u>	<u>\$ 69,359</u>

(c) Other revenues:

	2015	2014
Parking	\$ 12,616	\$ 12,077
Compensation recoveries	11,050	10,604
Recoveries from sale of goods and services	5,225	4,353
Other	11,514	14,636
	<u>\$ 40,405</u>	<u>\$ 41,670</u>

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

12. Consolidated statement of operations (continued):

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

	2015	2014
Compensation:		
Compensation	\$ 1,521,857	\$ 1,451,510
Employee benefits	288,314	299,755
Gain on event-driven employee benefits	(17,209)	(32,688)
	<u>1,792,962</u>	<u>1,718,577</u>
Referred-out and contracted services:		
Health and support services providers	625,181	606,850
Other health authorities and BC government reporting entities	214,122	208,046
	<u>839,303</u>	<u>814,896</u>
Supplies:		
Medical and surgical	125,507	120,247
Drug and medical gases	61,587	60,814
Diagnostic	21,795	21,030
Food and dietary	13,594	13,219
Laundry and linen	11,113	10,485
Printing, stationery and office	5,904	5,916
Housekeeping	4,259	4,276
Other	18,761	16,906
	<u>262,520</u>	<u>252,893</u>
Equipment and building services:		
Equipment	57,327	50,819
Rent	35,444	38,075
Plant operation (utilities)	15,308	15,171
Building and ground service contracts	5,957	5,619
Other	7,484	4,282
	<u>121,520</u>	<u>113,966</u>
Amortization of tangible capital assets	113,871	100,441
Sundry:		
Patient transport	12,530	10,610
Travel	7,379	7,597
Communication and data processing	7,318	6,769
Professional fees	7,180	8,492
Other	22,549	19,732
	<u>56,956</u>	<u>53,200</u>
Interest on debt	48,780	36,323
	<u>\$ 3,235,912</u>	<u>\$ 3,090,296</u>

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

13. Supplementary cash flow information:

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

	2015	2014
Accounts receivable	\$ 5,795	\$ 29,425
Accounts payable and accrued liabilities	19,792	24,650
Deferred operating contributions	(211)	(1,326)
Prepaid expenses	4,541	(20,172)
Inventories held for use	793	(91)
	\$ 30,710	\$ 32,486

(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.

	2015	2014
Acquisition of tangible capital assets	\$ 96,565	\$ 181,205
Construction financed with debt	-	(20,871)
	\$ 96,565	\$ 160,334

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, 2015

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:

	2015	2014
Revenue:		
Ministry of Health contributions	\$ 2,679,911	\$ 2,589,674
Medical Services Plan	163,925	157,650
Recoveries from other health authorities and BC government reporting entities	101,663	98,191
Other contributions	73,892	68,784
Amortization of deferred capital contributions	76,806	63,676
Patients, clients and residents	11,123	10,716
	\$ 3,107,320	\$ 2,988,691
Expenses:		
Referred-out and contracted services	\$ 214,122	\$ 208,046
Supplies	106,587	91,833
Sundry	15,773	13,202
Equipment and building services	7,958	7,155
	\$ 344,440	\$ 320,236
Accounts receivable:		
Other health authorities and BC government reporting entities	\$ 45,751	\$ 43,382
Medical Services Plan	20,207	15,917
Ministry of Health	2,503	7,892
	\$ 68,461	\$ 67,191
Accounts payable and accrued liabilities	\$ 56,003	\$ 48,538
Deferred operating contributions	169	201
Deferred capital contributions	834,769	829,882

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2015

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 \$17.1 million (2014 - \$12.8 million) and the auxiliaries granted \$1.0 million (2014 - \$1.2 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, 2015

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 and accounts receivable. 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 a 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, 2015, the amount of allowance for doubtful accounts was \$4.4 million (2014 - \$4.0 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, 2015

15. Risk management (continued):

(b) Liquidity risk (continued):

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

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 Years
Cash and cash equivalents	\$ 347,322	\$ -	\$ -
Accounts receivable	97,628	-	-
Total financial assets	\$ 444,950	\$ -	\$ -

2015 Liabilities	Up to 1 year	1 to 5 years	Over 5 Years
Accounts payable and accrued liabilities	\$ 364,698	\$ -	\$ -
Debt	6,348	36,348	616,701
Total liabilities	\$ 371,046	\$ 36,348	\$ 616,701

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

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
Total liabilities	\$ 350,408	\$ 31,730	\$ 627,666

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, 2015

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 the Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

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

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

	2015	2014
US dollar per Canadian dollar	\$ 0.790	\$ 0.905

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.

16. Comparative figures:

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