Consolidated Financial Statements of

FRASER HEALTH AUTHORITY

Year ended March 31, 2017

fraserhealth

Better health.
Best in health care.

Statement of Management Responsibility

The consolidated financial statements of Fraser Health Authority (the "Authority") for the year ended March 31, 2017 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

Brenda Liggett,
Vice-President Facilities Management and
Chief Financial Officer

June 14, 2017

June 14, 2017

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, 2017 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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Opinion
In our opinion, the consolidated financial statements, which comprise the statement of financial position of Fraser Health Authority as at March 31, 2017 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, 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 of the consolidated financial statements, which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

FRASER HEALTH AUTHORITY

Consolidated Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents (note 2)	$ 335,514	$ 409,652
Accounts receivable (note 3)	122,593	112,920
	458,107	522,572
Liabilities		
Accounts payable and accrued liabilities (note 4)	289,473	347,675
Deferred operating contributions (note 5)	3,248	2,822
Debt (note 6)	645,749	653,049
Lease inducements	9,757	10,852
Retirement allowance (note 7(a))	153,988	150,923
Long-term disability and health and welfare benefits (note 7(b))	9,433	17,015
Deferred capital contributions (note 8)	931,843	930,049
	2,043,491	2,112,385
Net debt	(1,585,384)	(1,589,813)
Non-financial assets		
Prepaid expenses	47,478	42,668
Inventories held for use (note 9)	8,401	8,060
Tangible capital assets (note 10)	1,415,408	1,423,972
	1,471,287	1,474,700
Accumulated deficit	**$ (114,097)**	**$ (115,113)**

Commitments and contingencies (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Karen Matty, Board Chair

Markus Delves, Director

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2017

	Budget	2017	2016
	(note 1(m))		
Revenues:			
Ministry of Health contributions	$ 2,825,660	$ 2,863,185	$ 2,786,391
Medical Services Plan	168,940	195,480	174,007
Recoveries from other health authorities and BC government reporting entities	99,400	111,700	106,985
Amortization of deferred capital contributions (note 8)	76,700	86,586	90,596
Patients, clients and residents (note 12(a))	84,047	97,003	88,965
Other contributions (note 12(b))	71,900	77,139	73,624
Other (note 12(c))	46,820	49,868	44,090
Interest income	2,733	3,719	3,410
	3,376,200	3,484,680	3,368,068
Expenses (note 12(d)):			
Acute	1,926,100	2,020,198	1,963,111
Residential care	585,000	581,172	553,586
Community care	325,500	318,631	296,151
Corporate	213,000	236,649	238,587
Mental health and substance use	243,300	242,282	234,285
Population health and wellness	83,300	84,732	81,927
	3,376,200	3,483,664	3,367,647
Annual surplus	-	1,016	421
Accumulated deficit, beginning of year	(115,113)	(115,113)	(115,534)
Accumulated deficit, end of year	$ (115,113)	$ (114,097)	$ (115,113)

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2017

	Budget	2017	2016
	(note 1(m))		
Annual surplus	$ -	$ 1,016	$ 421
Acquisition of tangible capital assets	(150,525)	(101,775)	(71,735)
Proceeds from disposal of tangible capital assets	-	-	199
Adjustment on disposal of tangible capital assets	-	226	1,656
Amortization of tangible capital assets	116,500	110,114	113,461
Loss on disposal of tangible capital assets	-	-	219
	(34,025)	9,581	44,221
Acquisition of inventories held for use	-	(72,555)	(70,182)
Acquisition of prepaid expenses	-	(60,317)	(49,702)
Consumption of inventories held for use	-	72,214	70,504
Use of prepaid expenses	-	55,506	48,870
	-	(5,152)	(510)
Decrease (increase) in net debt	(34,025)	4,429	43,711
Net debt, beginning of year	(1,589,813)	(1,589,813)	(1,633,524)
Net debt, end of year	$ (1,623,838)	$ (1,585,384)	$ (1,589,813)

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

	2017	2016
Cash flows from (used in) operating activities:		
Annual surplus	$ 1,016	$ 421
Items not involving cash:		
Amortization of deferred capital contributions	(86,586)	(90,596)
Amortization of tangible capital assets	110,114	113,461
Amortization of lease inducements	(1,095)	(1,095)
Loss on disposal of tangible capital assets	-	219
Retirement allowance expense	13,700	13,069
Long-term disability and health and welfare benefits expense	84,580	89,614
Interest expense	48,325	48,730
Interest income	(3,719)	(3,410)
	166,335	170,413
Net change in non-cash operating items (note 13)	(72,600)	(32,845)
Interest paid	(48,325)	(48,730)
Interest received	3,719	3,410
Net change in cash from operating activities	49,129	92,248
Capital activities:		
Proceeds from disposal of tangible capital assets	225	199
Acquisition of tangible capital assets	(101,775)	(71,735)
Net change in cash from (used in) capital activities	(101,550)	(71,536)
Financing activities:		
Retirement allowance benefits paid	(10,635)	(7,858)
Long-term disability and health and welfare benefits contributions	(92,162)	-
Repayment of debt	(7,300)	(6,348)
Capital contributions	88,380	55,824
Net change in cash from (used in) financing activities	(21,717)	41,618
Increase (decrease) in cash and cash equivalents	(74,138)	62,330
Cash and cash equivalents, beginning of year	409,652	347,322
Cash and cash equivalents, end of year	$ 335,514	$ 409,652

Supplementary cash flow information (note 13)

See accompanying notes to consolidated financial statements.

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.

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.

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 pro-rated 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 (2016 - 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.

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.

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.

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 consolidated 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.

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.

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 12, 2016.

(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 consolidated 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 PS 3420 are as follows:

- Under a policy of 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.

(iii) In June 2015, PSAB issued PS 3210, *Assets*. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017.

1. **Significant accounting policies (continued):**

(n) Future accounting standards (continued):

Management is in the process of assessing the impact of adoption of PS 3210 on the consolidated financial statements of the Authority.

(iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the consolidated financial statements of the Authority.

(v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the consolidated financial statements of the Authority.

(vi) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018.

(Amounts expressed in thousands of dollars)

2. Cash and cash equivalents:

	2017	2016
Cash and cash equivalents	$ 335,514	$ 409,652
Amounts restricted for capital purposes	(114,548)	(116,939)
Amounts restricted for P3 projects	(124,782)	(115,469)
Amounts restricted for patient comfort funds	(522)	(549)
Unrestricted cash and cash equivalents	$ 95,662	$ 176,695

3. Accounts receivable:

	2017	2016
Other health authorities and BC government reporting entities	$ 58,245	$ 46,445
Patients, clients and residents	29,267	23,714
Medical Services Plan	13,068	13,606
Foundations and auxiliaries	8,944	9,011
Federal government	5,232	2,517
Ministry of Health	4,973	15,808
Other	7,983	6,531
	127,712	117,632
Allowance for doubtful accounts	(5,119)	(4,712)
	$ 122,593	$ 112,920

4. Accounts payable and accrued liabilities:

	2017	2016
Trade accounts payable and accrued liabilities	$ 145,244	$ 144,232
Accrued vacation pay	76,817	76,849
Salaries and benefits payable	67,412	126,594
	$ 289,473	$ 347,675

(Amounts expressed in thousands of dollars)

5. Deferred operating contributions:

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

	2017	2016
Deferred operating contributions, beginning of year	$ 2,822	$ 2,842
Contributions received during the year for specific purposes	3,040	2,519
Amounts recognized as revenue in the year	(2,614)	(2,539)
Deferred operating contributions, end of year	$ 3,248	$ 2,822

6. Debt:

	2017	2016
Abbotsford Regional Hospital and Cancer Centre Inc., 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	$ 318,117	$ 319,600
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	174,326	176,202
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	153,306	157,247
	$ 645,749	$ 653,049

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

(Amounts expressed in thousands of dollars)

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, 2016 and extrapolated to March 31, 2017 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2017 are derived. The next required valuation will be as of December 31, 2017.

Information about retirement allowance benefits is as follows:

	2017	2016
Accrued benefit obligation:		
Severance benefits	$ 80,924	$ 79,808
Sick leave benefits	54,921	57,441
	135,845	137,249
Unamortized actuarial gain	18,143	13,674
Accrued benefit liability	$ 153,988	$ 150,923

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

	2017	2016
Accrued benefit liability, beginning of year	$ 150,923	$ 145,712
Net benefit expense:		
Current service cost	9,975	9,034
Interest expense	5,385	5,421
Amortization of actuarial gain	(1,660)	(1,386)
Net benefit expense	13,700	13,069
Benefits paid	(10,635)	(7,858)
Accrued benefit liability, end of year	$ 153,988	$ 150,923

(Amounts expressed in thousands of dollars)

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:

	2017	2016
Accrued benefit obligation as at March 31:		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.93%	3.98%
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.

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 liabilities are reflected in these consolidated financial statements.

The Authority's net liabilities as of March 31, 2017 are based on the actuarial valuation at December 31, 2016, extrapolated to March 31, 2017. The next expected valuation is as of December 31, 2017.

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

	2017	2016
Accrued benefit obligation	$ 240,436	$ 239,280
Fair value of plan assets	231,003	222,265
Long-term disability and health and welfare benefits liability	$ 9,433	$ 17,015

(Amounts expressed in thousands of dollars)

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2017	2016
Long-term disability and health and welfare benefits liability (asset), beginning of year	$ 17,015	$ (72,599)
Net benefit expense:		
Long-term disability expense	42,944	40,860
Health and welfare benefit expense	53,082	48,384
Interest expense	12,537	11,682
Employees' payments	(2,558)	-
Expected return on assets	(12,420)	(14,272)
Actuarial loss (gain)	(9,005)	2,960
Net benefit expense	84,580	89,614
Contributions to the plan	(92,162)	-
Long-term disability and health and welfare benefits liability, end of year	$ 9,433	$ 17,015
Benefits paid to claimants	$ 94,628	$ 85,081

Plan assets consist of:

	2017	2016
Debt securities	40%	42%
Foreign equities	35%	36%
Canadian equities and other	25%	22%
Total	100%	100%

(Amounts expressed in thousands of dollars)

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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 liabilities are as follows:

	2017	2016
Accrued benefit obligation as at March 31:		
Discount rate	5.30%	5.30%
Rate of benefit increase	1.50%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.30%
Rate of compensation increase	1.50%	1.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.30%	5.30%

The actual rate of return on plan assets was 4.0% for the year ended December 31, 2016 (December 31, 2015 – 7.7%).

The 2014-2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish joint benefit trusts (JBTs) to provide long-term disability and health and welfare benefits to the employees covered by these agreements. Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to these employee groups through Healthcare Benefit Trust will transition to the JBTs.

(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 $107.0 million (2016 - $103.8 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, 2015 indicated a funding surplus of approximately $2,224.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 189,000 active members, of which approximately 24,292 (2016 - 22,000) are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2018 with results available in fall 2019.

(Amounts expressed in thousands of dollars)

7. **Employee benefits (continued):**

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of $2.4 million (2016 - $2.7 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 $194.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 58,000 active members, of which approximately 351 (2016 - 450) 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.

	2017	2016
Deferred capital contributions, beginning of year	$ 930,049	$ 966,477
Capital contributions received:		
Ministry of Health	72,789	41,383
Foundations and auxiliaries	11,767	9,366
Regional hospital district	1,584	2,305
Other	2,466	2,770
	88,606	55,824
Amortization for the year	(86,586)	(90,596)
Adjustment on disposal of tangible capital assets	(226)	(1,656)
Deferred capital contributions, end of year	$ 931,843	$ 930,049

Deferred capital contributions comprise the following:

	2017	2016
Contribution used to purchase tangible capital assets	$ 812,598	$ 809,289
Unspent contributions	119,245	120,760
	$ 931,843	$ 930,049

(Amounts expressed in thousands of dollars)

9. Inventories held for use:

	2017	2016
Pharmaceuticals	$ 6,272	$ 5,837
Medical supplies	2,129	2,223
	$ 8,401	$ 8,060

10. Tangible capital assets:

Cost	2016	Additions	Disposals	Transfers	2017
Land	$ 25,665	$ -	$ -	$ -	$ 25,665
Land improvements	9,356	814	-	230	10,400
Buildings	1,921,324	5,126	(1,443)	9,758	1,934,765
Equipment	568,855	25,700	(29,333)	2,671	567,893
Information systems	104,526	6,739	-	633	111,898
Leasehold improvements	28,957	1,328	-	271	30,556
Construction in progress	28,940	48,626	-	(9,935)	67,631
Equipment and information systems in progress	10,147	13,442	-	(3,628)	19,961
Total	$ 2,697,770	$ 101,775	$ (30,776)	$ -	$ 2,768,769

Accumulated amortization	2016	Amortization	Disposals	2017
Land improvements	$ 5,697	$ 417	$ -	$ 6,114
Buildings	762,222	59,053	(1,437)	819,838
Equipment	422,500	37,103	(29,114)	430,489
Information systems	72,107	11,706	-	83,813
Leasehold improvements	11,272	1,835	-	13,107
Total	$ 1,273,798	$ 110,114	$ (30,551)	$ 1,353,361

(Amounts expressed in thousands of dollars)

10. Tangible capital assets (continued):

Cost	2015	Additions	Disposals	Transfers	2016
Land	$ 25,665	$ -	$ -	$ -	$ 25,665
Land improvements	9,304	452	(501)	101	9,356
Buildings	1,891,405	10,454	(5,916)	25,381	1,921,324
Equipment	693,307	17,447	(145,569)	3,670	568,855
Information systems	110,931	11,018	(20,267)	2,844	104,526
Leasehold improvements	29,342	507	(989)	97	28,957
Construction in progress	31,919	22,539	-	(25,518)	28,940
Equipment and information systems in progress	7,404	9,318	-	(6,575)	10,147
Total	$ 2,799,277	$ 71,735	$ (173,242)	$ -	$ 2,697,770

Accumulated amortization	2015	Amortization	Disposals	2016
Land improvements	$ 5,894	$ 301	$ (498)	$ 5,697
Buildings	708,850	58,532	(5,160)	762,222
Equipment	525,016	42,125	(144,641)	422,500
Information systems	81,182	10,823	(19,898)	72,107
Leasehold improvements	10,563	1,680	(971)	11,272
Total	$ 1,331,505	$ 113,461	$ (171,168)	$ 1,273,798

Net book value	2017	2016
Land	$ 25,665	$ 25,665
Land improvements	4,286	3,659
Buildings	1,114,927	1,159,102
Equipment	137,404	146,355
Information systems	28,085	32,419
Leasehold improvements	17,449	17,685
Construction in progress	67,631	28,940
Equipment and information systems in progress	19,961	10,147
Total	$ 1,415,408	$ 1,423,972

(Amounts expressed in thousands of dollars)

10. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2017	2016
Deferred capital contributions	$ 812,598	$ 809,289
Debt	630,401	637,698
Internally funded	(27,591)	(23,015)
Tangible capital assets	$ 1,415,408	$ 1,423,972

11. Commitments and contingencies:

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

As at March 31, 2017, the Authority had outstanding commitments for construction, equipment and information systems in progress of $214.5 million (2016 - $18.6 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:

2018	$ 63,925
2019	56,541
2020	57,756
2021	36,880
2022	16,145
Thereafter	68,718
	$ 299,965

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

The Authority has entered into contracts with 983 service providers to provide residential care and health services. The aggregate annual commitments for these contracts for the year ending March 31, 2018 are $615.0 million (2017 - $589.1 million).

(Amounts expressed in thousands of dollars)

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:

2018	$	29,227
2019		25,720
2020		20,387
2021		18,593
2022		16,500
Thereafter		72,883
	$	183,310

(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 tangible 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
2018	$ 55,508	$ 30,933	$ 86,441
2019	56,168	33,527	89,695
2020	56,755	32,581	89,336
2021	57,173	34,652	91,825
2022	57,095	35,370	92,465
Thereafter	1,115,213	924,629	2,039,842
	$ 1,397,912	$ 1,091,692	$ 2,489,604

(Amounts expressed in thousands of dollars)

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:

2018	$	8,229
2019		9,464
2020		10,716
2021		11,872
2022		12,643
Thereafter		592,825
	$	645,749

(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, 2017, 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.

(Amounts expressed in thousands of dollars)

12. Consolidated statement of operations:

(a) Patients, clients and residents revenue:

	2017	2016
Long-term and extended care	$ 34,499	$ 34,348
Non-residents of Canada	21,352	17,261
WorkSafe BC	15,551	13,205
Non-residents of BC	11,975	11,923
Residents of BC self-pay	5,102	4,249
Preferred accommodation	4,922	4,645
Federal government	1,944	1,773
Other	1,658	1,561
	$ 97,003	$ 88,965

(b) Other contributions:

	2017	2016
Other health authorities	$ 71,379	$ 67,919
Other ministries	3,756	3,786
Other	2,004	1,919
	$ 77,139	$ 73,624

(c) Other revenues:

	2017	2016
Parking	$ 14,332	$ 13,478
Compensation recoveries	13,564	12,468
Recoveries from sale of goods and services	7,364	6,290
Other	14,608	11,854
	$ 49,868	$ 44,090

(Amounts expressed in thousands of dollars)

12. Consolidated statement of operations (continued):

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

	2017	2016
Compensation:		
Compensation	$ 1,624,245	$ 1,571,692
Employee benefits	338,320	326,382
Loss (gain) on event-driven employee benefits	(9,005)	2,960
	1,953,560	1,901,034
Referred-out and contracted services:		
Health and support services providers	685,264	641,464
Other health authorities and BC government reporting entities	226,140	219,103
	911,404	860,567
Supplies:		
Medical and surgical	143,080	136,063
Drug and medical gases	60,331	57,275
Diagnostic	25,706	23,423
Food and dietary	13,987	14,217
Laundry and linen	12,733	11,726
Printing, stationery and office	6,981	6,936
Housekeeping	4,619	4,566
Other	18,874	18,704
	286,311	272,910
Equipment and building services:		
Equipment	53,528	53,668
Rent	29,571	29,180
Plant operation (utilities)	17,035	15,877
Building and ground service contracts	9,572	7,616
Other	8,160	7,722
	117,866	114,063
Amortization of tangible capital assets	110,114	113,461
Sundry:		
Patient transport	12,923	12,681
Communication and data processing	8,040	7,776
Professional fees	7,250	6,861
Travel	7,166	7,358
Other	20,705	22,206
	56,084	56,882
Interest on debt	48,325	48,730
	$ 3,483,664	$ 3,367,647

(Amounts expressed in thousands of dollars)

13. Supplementary cash flow information:

Net change in non-cash operating items:

	2017	2016
Accounts receivable	$ (9,673)	$ (15,292)
Accounts payable and accrued liabilities	(58,202)	(17,023)
Deferred operating contributions	426	(20)
Prepaid expenses	(4,810)	(832)
Inventories held for use	(341)	322
	$ (72,600)	$ (32,845)

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.

(Amounts expressed in thousands of dollars)

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:

	2017	2016
Revenue:		
Ministry of Health contributions	$ 2,863,185	$ 2,786,391
Medical Services Plan	195,480	174,007
Recoveries from other health authorities and BC government reporting entities	111,700	106,985
Amortization of deferred capital contributions	72,030	75,471
Other contributions	76,034	72,663
Patients, clients and residents	11,975	11,923
	$ 3,330,404	$ 3,227,440
Expenses:		
Referred-out and contracted services	$ 228,010	$ 220,422
Supplies	120,248	113,174
Sundry	12,253	16,023
Equipment and building services	8,736	8,247
	$ 369,247	$ 357,866
Accounts receivable:		
Other health authorities and BC government reporting entities	$ 58,245	$ 46,445
Ministry of Health	4,973	15,808
Medical Services Plan	13,069	13,606
	$ 76,287	$ 75,859
Accounts payable and accrued liabilities	$ 50,295	$ 49,609
Deferred operating contributions	$ 348	$ 173
Deferred capital contributions	$ 801,528	$ 800,770

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 $13.0 million (2016 - $10.5 million) and the auxiliaries granted $1.7 million (2016 - $1.2 million) to various facilities within the Authority.

Foundations:

Burnaby Hospital Foundation
Chilliwack Hospital & Health Care 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 Hospital & Outpatient Centre 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

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, 2017, the amount of allowance for doubtful accounts was $5.1 million (2016 - $4.7 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.

(Amounts expressed in thousands of dollars)

15. Risk management (continued):

(b) Liquidity risk (continued):

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

2017 Financial assets		Up to 1 year		1 to 5 years		Over 5 Years
Cash and cash equivalents	$	335,514	$	-	$	-
Accounts receivable		122,593		-		-
Total financial assets	$	458,107	$	-	$	-

2017 Liabilities		Up to 1 year		1 to 5 years		Over 5 Years
Accounts payable and accrued liabilities	$	289,473	$	-	$	-
Debt		8,229		44,695		592,825
Total liabilities	$	297,702	$	44,695	$	592,825

2016 Financial assets		Up to 1 year		1 to 5 years		Over 5 Years
Cash and cash equivalents	$	409,652	$	-	$	-
Accounts receivable		112,920		-		-
Total financial assets	$	522,572	$	-	$	-

2016 Liabilities		Up to 1 year		1 to 5 years		Over 5 Years
Accounts payable and accrued liabilities	$	347,675	$	-	$	-
Debt		7,299		40,970		604,780
Total liabilities	$	354,974	$	40,970	$	604,780

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

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:

	2017	2016
US dollar per Canadian dollar	$ 0.752	$ 0.770

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.