

Financial Statements  
(Expressed in thousands of dollars)

**CHILDREN'S & WOMEN'S  
HEALTH CENTRE OF BRITISH  
COLUMBIA BRANCH**

Year ended March 31, 2012



**KPMG LLP**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Children's & Women's Health Centre of British Columbia Branch

We have audited the accompanying financial statements of Children's & Women's Health Centre of British Columbia Branch which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Children's & Women's Health Centre of British Columbia Branch as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Report on Other Legal and Regulatory Requirements*

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding period.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

June 21, 2012  
Vancouver, Canada

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Statement of Financial Position  
(Expressed in thousands of dollars)

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash	\$ 552	\$ 4,576
Accounts receivable (note 2)	52,549	36,855
Inventories of materials and supplies (note 3)	5,214	4,816
Prepaid expenses	697	1,084
	<u>59,012</u>	<u>47,331</u>
Long-term investments	5	5
Capital assets (note 4)	414,694	407,674
	<u>\$ 473,711</u>	<u>\$ 455,010</u>
<b>Liabilities and Net Assets (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 71,536	\$ 58,502
Deferred operating contributions (note 6)	387	585
Deferred contributions for designated purposes (note 7)	6,625	7,896
Current portion of retirement allowance (note 8(a))	1,986	2,163
	<u>80,534</u>	<u>69,146</u>
Retirement allowance (note 8(a))	23,088	23,354
Asset retirement obligations (note 11(d))	1,689	597
Deferred capital contributions (note 9)	294,861	288,531
	<u>400,172</u>	<u>381,628</u>
Net assets:		
Invested in capital assets (note 10(a))	119,833	119,143
Internally restricted	448	448
Unrestricted	<u>(46,742)</u>	<u>(46,209)</u>
	73,539	73,382
	<u>\$ 473,711</u>	<u>\$ 455,010</u>

Commitments and contingencies (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director and Chair of the Board

  
\_\_\_\_\_  
Director

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Statement of Operations  
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Revenues:</b>		
Provincial Health Services Authority contributions	\$ 289,278	\$ 275,786
Medical Services Plan	86,446	78,473
Amortization of deferred capital contributions	21,546	21,236
Other (note 12(b))	18,110	16,272
Other contributions (note 12(a))	17,051	18,228
Patients, clients and residents (note 12(c))	12,875	9,992
Pharmacare	5,609	5,341
Investment income	6	48
Research and designated contributions	13,163	14,849
	<u>464,084</u>	<u>440,225</u>
<b>Expenses:</b>		
Compensation and benefits	328,785	315,606
Supplies (note 12(e))	47,933	46,746
Referred-out and contracted services (note 12(d))	24,773	17,695
Amortization of capital assets	22,054	21,721
Sundry (note 12(f))	14,602	11,293
Equipment and building services	12,617	12,114
Accretion of asset retirement obligations (note 11(d))	-	28
Research and designated expenses	13,163	14,849
	<u>463,927</u>	<u>440,052</u>
<b>Excess of revenues over expenses</b>	<b>\$ 157</b>	<b>\$ 173</b>

See accompanying notes to financial statements.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Statement of Changes in Net Assets (Deficiency)  
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	Invested in capital assets	Internally restricted	Unrestricted	Total	
				2012	2011
Balance, beginning of the year	\$ 119,143	\$ 448	\$ (46,209)	\$ 73,382	\$ 73,209
Excess (deficiency) of revenues over expenses	(508)	-	665	157	173
Net change in capital assets	1,198	-	(1,198)	-	-
Balance, end of year	\$ 119,833	\$ 448	\$ (46,742)	\$ 73,539	\$ 73,382

See accompanying notes to financial statements.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Statement of Cash Flows  
(Expressed in thousands of dollars)

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 157	\$ 173
Items not involving cash:		
Amortization of capital assets	22,054	21,721
Amortization of deferred capital contributions	(21,546)	(21,236)
Accretion of asset retirement obligations	-	28
Retirement allowance expense	937	1,598
Net change in non-cash operating items (note 13(a))	(4,140)	(2,417)
	(2,538)	(133)
Cash flows from investing activities:		
Purchase of capital assets	(26,348)	(9,660)
Asset retirement cost paid	(104)	-
	(26,452)	(9,660)
Cash flows from financing activities:		
Capital contributions	26,346	9,660
Retirement allowance benefits paid	(1,380)	(1,082)
	24,966	8,578
Decrease in cash	(4,024)	(1,215)
Cash, beginning of year	4,576	5,791
Cash, end of year	\$ 552	\$ 4,576

See accompanying notes to financial statements.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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The Children's & Women's Health Centre of British Columbia Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health and is one of six Health Authorities in British Columbia ("BC"). The Branch is dependent on the Ministry of Health to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Branch is a not-for-profit organization under the *Income Tax Act* of Canada, and as such is exempt from income and capital taxes.

The following agencies/programs are also included in PHSA:

- British Columbia Cancer Agency Branch;
- British Columbia Centre for Disease Control and Prevention Society Branch;
- British Columbia Mental Health Society (Riverview) Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Cardiac Services British Columbia;
- Emergency and Health Services Commission;
- Forensic Psychiatric Services Commission;
- Health Shared Services BC; and
- Mental Health and Addictions Research Institute.

Effective December 31, 2001, the above noted branch societies except for the Mental Health and Addictions Research Institute, Health Shared Services BC, and Emergency and Health Services Commission were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with the PHSA. The amalgamated Branch is considered a continuation of the former Branch for financial reporting purposes.

The Branch serves as the major children's and women's health resource centre of the Province, providing leadership in the areas of clinical services, research, education, and health promotion.

The Branch financial statements include the operations of the Child and Family Research Institute, which undertakes research activities spanning a wide range of children's and women's health concerns.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies:

### (a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 14) that support the activities of the Branch and other organizations that provide services under contracts with the Branch.

### (b) Revenue recognition:

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

Under the *Hospital Insurance Act and Regulations* thereto, the Branch is funded primarily by the Province of British Columbia in accordance with budget management plans and performance agreements established and approved by the Ministry of Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are depreciated. Contributions restricted for the purchase of non-depreciable capital assets are recognized as a direct increase in net assets.

### (c) Asset and service contributions:

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

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

### (e) Inventories of materials and supplies:

Inventories, consisting of pharmaceutical and other materials and supplies, are recorded at the lower of weighted average cost and replacement cost. Certain specific inventory items are purchased on consignment and are not included in inventory.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Branch records amortization on its assets on a straight-line basis over the useful life of the assets as follows:

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Land improvements	20 years
Buildings	20 - 50 years
Leasehold improvements	Lease term to a maximum of 20 years
Building service equipment	15 - 20 years
Equipment	3 - 20 years
Equipment under capital lease	5 - 7 years
Software license fees	3 - 5 years
Vehicles	4 - 7 years

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The Branch operates facilities on Oak Street and Slocan Street in Vancouver, British Columbia. The Branch is the beneficiary of the Slocan Street property, which is held in trust by the Sunny Hill Foundation for Children, the trustee. The Branch is subject to certain conditions imposed by the trustee.

### (g) Internally restricted net assets:

The Branch has internally restricted certain funds for capital asset acquisitions. Use of these funds is limited to the related terms of reference as approved by the Board.

### (h) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits 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). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees. The average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2011 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

### (i) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset including leased premises resulting from the acquisition, construction, development, and/or normal use of the asset. The fair value of the asset retirement cost is capitalized as part of the carrying value of the related long-lived asset and is depreciated over the life of the asset. The liability may be changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

### (j) Measurement uncertainty:

The preparation of 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. Management reviews all significant estimates affecting its financial statements on a recurring basis and records the effect of any necessary adjustments. Significant areas requiring the use of estimates include determination of rates of amortization of capital assets, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits. Actual results could differ from the estimates.

### (k) Financial instruments:

The Branch has designated all non-derivative financial assets and liabilities as held-for-trading with the exception of certain obligations designated as other liabilities and receivables and investments which are designated as held-to-maturity.

- The Branch initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as held-for-trading are measured at fair value and changes in fair value are recognized in the statement of operations.
- Held to maturity investments and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities are recorded at amortized cost.
- All transaction costs incurred on held to maturity investments, receivables, and other liabilities are incorporated in the fair value of the instrument and are amortized to operations using the effective interest rate method.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 1. Significant accounting policies (continued):

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

Assets and liabilities classified as available for sale are measured at fair value and changes in fair value are recorded in the statement of changes in net assets until the financial instruments are de-recognized or other than temporarily impaired at which time the amounts are recorded in the statement of operations. The Branch has not classified any assets or liabilities as available for sale.

Derivative instruments are recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized as earnings unless specific hedge criteria are met, which require that an entity must formally document, designate and assess the effectiveness of the transaction that received hedge accounting.

The Branch's financial instruments include cash, accounts receivable, long-term investments, and accounts payable and accrued liabilities. It is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

The Branch has elected not to apply the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862, *Financial Instruments - Disclosure*, and 3863, *Financial Instruments - Presentation*. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages those risks. The Branch has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

### (l) Future accounting framework:

Effective April 1, 2012, the Branch will transition to a new accounting framework which will include Public Sector Accounting Standards supplemented by directives from the Government of British Columbia's Treasury Board.

The transition to the new accounting framework will be applied on a retrospective basis. The Branch is reviewing the impact of these changes on the financial statements.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 2. Accounts receivable:

	2012	2011
Provincial Health Services Authority	\$ 18,844	\$ -
Ministry of Health	17,978	13,071
Hospital foundations and auxiliaries	5,403	14,925
Other health authorities and BC government reporting entities	4,958	2,625
Medical Services Plan	1,729	2,159
Patients, clients and agencies	1,427	2,907
Federal and provincial sales taxes	1,329	1,030
Other	3,465	1,669
	55,133	38,386
Less allowance for doubtful accounts	(2,584)	(1,531)
	\$ 52,549	\$ 36,855

## 3. Inventories of materials and supplies:

The Branch's inventories of \$5,214 (2011 - \$4,816) are recorded at the lower of weighted average cost and replacement cost and consist of pharmaceutical and other materials and supplies. During the year, \$41,354 (2011 - \$38,548) of inventories were expensed by the Branch. Certain specific inventory items are purchased on consignment and are not included in inventory.

## 4. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Land	\$ 106,100	\$ -	\$ 106,100
Land improvements	2,040	1,998	42
Buildings	366,470	126,134	240,336
Building service equipment	17,764	6,865	10,899
Construction in progress	25,575	-	25,575
Leasehold improvements	2,037	635	1,402
Equipment	138,138	110,549	27,589
Software license fees	12,572	12,565	7
Vehicles	4,307	1,563	2,744
	\$ 675,003	\$ 260,309	\$ 414,694

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 4. Capital assets (continued):

2011	Cost	Accumulated amortization	Net book value
Land	\$ 106,100	\$ -	\$ 106,100
Land improvements	2,040	1,997	43
Buildings	366,355	114,987	251,368
Building service equipment	17,422	5,894	11,528
Construction in progress	4,454	-	4,454
Leasehold improvements	654	629	25
Equipment	135,306	103,929	31,377
Software license fees	12,566	12,529	37
Vehicles	4,039	1,297	2,742
	\$ 648,936	\$ 241,262	\$ 407,674

Entities that are related to the Branch (Child and Family Research Institute, British Columbia's Children's Hospital Foundation, Mental Health and Addictions Research Institute, and British Columbia Mental Health Society (Riverview) Branch) are occupying space within the Child and Family Research Institute Building under an operating lease. The Branch received \$398 (2011 - \$1,244) in lease payments from the related parties in 2012.

## 5. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accrued liabilities	\$ 31,136	\$ 18,253
Salaries and benefits payable	23,841	22,010
Accrued vacation pay	16,559	16,765
Provincial Health Services Authority	-	1,474
	\$ 71,536	\$ 58,502

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 6. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2012	2011
Deferred operating contributions, beginning of year	\$ 585	\$ 380
Less amount recognized as revenue in the year	(229)	(2)
Add amount received for future periods	31	207
<b>Deferred operating contributions, end of year</b>	<b>\$ 387</b>	<b>\$ 585</b>

## 7. Deferred contributions for designated purposes:

Deferred contributions for designated purposes represent unspent contributions for research and other specified purposes. These deferred contributions will be recorded as revenue in the statement of operations when the related expenses are incurred.

	2012	2011
Deferred contributions for designated purposes, beginning of year	\$ 7,896	\$ 5,665
Less amount recognized as revenue in the year	(13,163)	(14,849)
Add amount received for future periods	11,892	17,080
<b>Deferred contributions for designated purposes, end of year</b>	<b>\$ 6,625</b>	<b>\$ 7,896</b>

## 8. Employee benefits:

### (a) Retirement allowance:

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

The Branch's liabilities are based on an independent actuarial valuation performed as at the early measurement date of December 31, 2009 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2012 are derived, and an extrapolation of the valuation performed as at December 31, 2009, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 8. Employee benefits (continued):

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

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	\$ 6,011	\$ 6,037
Severance benefits	12,589	12,421
Total unfunded obligation	18,600	18,458
Balance of unamortized amounts	6,474	7,059
Accrued retirement allowance benefits	25,074	25,517
Current portion	1,986	2,163
Long-term portion	\$ 23,088	\$ 23,354
Retirement allowance expense	\$ 1,631	\$ 1,598
Transfer of employees to other health authorities	(694)	-
Net retirement allowance expense	\$ 937	\$ 1,598
Benefits paid	1,380	1,082

During the year ended March 31, 2012 under the Lower Mainland Consolidation and Health Shared Services BC initiatives, there were movements of staff between health authorities, resulting in the transfer of employee liabilities at the date of transfer and the transfer of ongoing expense obligations to the receiving health authorities.

The significant actuarial assumptions adopted in measuring the Branch's retirement allowance liabilities are as follows:

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	4.30%	5.25%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	5.25%	6.25%
Rate of compensation increase	2.50%	2.50%

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 8. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claims for certain employee groups of the Branch and other provincially-funded organizations.

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

The Trust is a multiple-employer plan with respect to long-term disability benefits initiated after September 30, 1997. The assets and liabilities for these long-term disability benefits have been segregated for PHSA, but not for the individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2011 indicated a surplus of \$36 (December 31, 2010 - liability of \$8,342). Contributions of \$2,935 (2011 - \$3,954) were expensed during the year. The PHSA plan covers approximately 7,579 active employees of which 2,460 are employees of the Branch. The next required valuation will be as of December 31, 2012.

#### (ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multi-employer plan. Contributions to the Trust of \$5,237 (2011 - \$6,470) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2011 indicated a surplus of \$30,853 (December 31, 2010 - \$17,300). The plan covers approximately 86,000 active employees of which 2,554 are employees of the Branch. The next required valuation will be as of December 31, 2012.

### (c) Employee pension benefits:

The Branch and its employees contribute to the Municipal Pension Plan a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$17,312 (2011 - \$15,889) 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 valuation as at December 31, 2009 indicated an unfunded liability of \$1,024,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 173,000 active members of which 3,172 are employees of the Branch. The next required valuation will be as at December 31, 2012, with results available in 2013.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 9. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2012	2011
Deferred capital contributions, beginning of year	\$ 288,531	\$ 300,107
Provincial Health Services Authority	20,628	5,339
Foundations and auxiliaries	4,111	2,964
Other	1,607	1,357
	26,346	9,660
Unamortized deferred capital contribution relating to assets transferred from PHSA	1,530	-
Less amortization for the year	(21,546)	(21,236)
Deferred capital contributions, end of year	\$ 294,861	\$ 288,531

## 10. Invested in capital assets:

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

	2012	2011
Capital assets	\$ 414,694	\$ 407,674
Amounts financed by:		
Deferred capital contributions	(294,861)	(288,531)
	\$ 119,833	\$ 119,143

(b) Deficiency of revenues over expenses:

	2012	2011
Amortization of deferred capital contributions	\$ 21,546	\$ 21,236
Amortization of capital assets	(22,054)	(21,721)
	\$ (508)	\$ (485)

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

## 10. Invested in capital assets (continued):

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	\$ 26,348	\$ 9,660
Net book value of assets transferred from PHSA	1,530	-
Asset retirement obligations (note 11(d))	1,196	-
Amounts funded by:		
Deferred capital contributions	(26,346)	(9,660)
Unamortized deferred capital contribution relating to assets transferred from PHSA	(1,530)	-
	\$ 1,198	\$ -

## 11. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2013	\$	81
2014		26
2015		1
	\$	108

(b) Litigation and claims:

The nature of the Branch's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2012, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Branch'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.

(c) Risk management:

Risk management and insurance services for all Health Authorities in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 11. Commitments and contingencies (continued):

### (d) Asset retirement obligations:

The Branch has previously acquired certain buildings, some of which contain asbestos. At the acquisition dates, environmental regulations were in place, which required special procedures to be undertaken in the handling and disposal of the asbestos if the buildings underwent a major renovation or were demolished.

The Branch has accrued asset retirement obligations of \$1,689 (2011 - \$597) representing the fair value of the legal obligations related to owned premises after charges for accretion and amortization. The settlement of these obligations will occur at the expiry of the leases and as owned premises undergo renovations. The fair value of the legal obligation was determined by discounting the estimated cash outflows of \$1,894 (2011 - \$598) over the respective lease terms and until renovations are undertaken at a credit-adjusted risk free rate of 5.26% for existing obligations and 4.00% for new obligations (2011 - 4.81%). The asset retirement obligations have been capitalized as part of capital assets and will be amortized over the respective premise lease terms and over the time period until renovations are completed.

The Branch has not accrued asset retirement obligations for buildings that were previously acquired and may contain asbestos that require special handling procedures where there is no current plan for significant renovation, as the fair value of the retirement obligations cannot be reasonably estimated until there is a reasonably determinate settlement date for the major renovation or demolition of the buildings. These asset retirement obligations will be recognized as a liability in the period when the fair value can be reasonably estimated.

## 12. Statement of operations:

### (a) Other contributions:

	2012	2011
Hospital foundations and auxiliaries	\$ 10,663	\$ 11,440
Other Ministries	2,999	3,111
Other	3,389	3,677
	<u>\$ 17,051</u>	<u>\$ 18,228</u>

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

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## 12. Statement of operations (continued):

### (b) Other revenues:

	2012	2011
Recoveries from sales of goods and services	\$ 7,572	\$ 5,442
Recoveries from other health authorities and BC government reporting entities	5,739	5,991
Parking	2,916	2,959
Drug sales	1,684	1,545
Other	199	335
	<b>\$ 18,110</b>	<b>\$ 16,272</b>

### (c) Patients, clients, and residents revenue:

	2012	2011
Non-residents of BC	\$ 4,704	\$ 3,464
Preferred accommodation	2,713	2,508
Residents of BC - self pay	2,209	1,825
Non-residents of Canada	2,168	1,105
Federal government	251	387
Other	830	703
	<b>\$ 12,875</b>	<b>\$ 9,992</b>

### (d) Referred out and contracted services:

	2012	2011
Private contractors	\$ 14,731	\$ 16,267
Other health authorities and BC government reporting entities	10,042	1,428
	<b>\$ 24,773</b>	<b>\$ 17,695</b>

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
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## 12. Statement of operations (continued):

### (e) Supplies:

	2012	2011
Drugs and medical gases	\$ 18,502	\$ 18,231
Medical and surgical	12,886	12,249
Diagnostic	8,520	7,957
Food and dietary	1,551	1,971
Printing, stationery and office	1,352	1,498
Laundry and linen	368	326
Housekeeping	136	338
Other	4,618	4,176
	<b>\$ 47,933</b>	<b>\$ 46,746</b>

### (f) Sundry:

	2012	2011
Professional fees	\$ 3,148	\$ 3,022
Travel	1,780	1,599
Communication and data processing	541	586
Other	9,133	6,086
	<b>\$ 14,602</b>	<b>\$ 11,293</b>

## 13. Statement of cash flows:

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

	2012	2011
Net change in non-cash operating items:		
Accounts receivable	\$ (15,694)	\$ (7,306)
Inventories of materials and supplies	(398)	84
Prepaid expenses	387	198
Accounts payable and accrued liabilities	13,034	1,843
Deferred operating contributions	(198)	533
Deferred contributions for designated purposes	(1,271)	2,231
	<b>\$ (4,140)</b>	<b>\$ (2,417)</b>

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
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Year ended March 31, 2012

## 13. Statement of cash flows (continued):

### (b) Purchase of capital assets:

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

	2012	2011
Purchase of capital assets (note 10(c))	\$ 26,349	\$ 9,660
Non-cash transactions:		
Additions to asset retirement obligations	\$ 1,196	\$ -
Capital assets transferred from PHSA	1,530	-

## 14. Related entities:

### (a) Foundations and auxiliaries:

The Branch has an economic interest in the following foundations, auxiliaries, and societies whose net assets and results from operations are not included in the financial statements of the Branch:

#### (i) Foundations:

The British Columbia's Children's Hospital Foundation and the Sunny Hill Foundation for Children were established to promote child development and health care at the Branch. The British Columbia's Women's Hospital and Health Centre Foundation was established to further the mission of health care for women, newborns, and families.

The Foundations are separate legal entities incorporated under the *Society Act of British Columbia* and are registered charities under the provisions of the *Income Tax Act of Canada*.

During the year, the Branch received the following contributions from the Foundations:

	2012	2011
Operations	\$ 2,205	\$ 6,762
Research	10,338	10,322
Other designated purposes	33,570	29,272
Capital	3,535	4,008
	\$ 49,648	\$ 50,364

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
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Year ended March 31, 2012

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## 14. Related entities (continued):

### (a) Foundations and auxiliaries (continued):

#### (i) Foundations (continued):

At March 31, 2012, the foundations held net assets of \$137,737 (2011 - \$134,629) to be used for research, patient care, education, and capital expenditures at the Branch.

In addition to the net assets held by the foundations \$100,682 (2011 - \$73,161) of funds which the Foundations have reflected as donations to the Branch for the year ended March 31, 2011 have not yet transferred to the Branch. These funds are externally restricted, and as the Branch has not yet received the funds or met the external restrictions, they have not been reflected in these financial statements.

#### (ii) Auxiliaries:

The Auxiliary to British Columbia's Children's Hospital, the British Columbia's Women's Hospital and Health Centre Auxiliary, and the Auxiliary to Sunny Hill Centre for Children were established to provide additional comfort and welfare to patients of the Branch. At March 31, 2012, the auxiliaries held net assets of approximately \$405 (2011 - \$450) to be used for patient care and capital expenditures at the Branch.

#### (iii) The Women's Health and Research Institute ("WHRI"):

WHRI was established on September 13, 2004 to provide coordination and leadership for women's health research in British Columbia and Canada.

Children's & Women's Hospital has restructured its research activities relating to women's health so that this research is conducted by the hospital itself rather than by WHRI as a separate legal entity. As a result, WHRI has voluntarily dissolved and on October 13, 2011 its assets were distributed to C&W. Distribution of the WHRI assets to C&W did not have a significant impact on the financial statements of the Branch.

#### (iv) British Columbia Centre of Excellence for Women's Health Society ("BCCEWHS"):

The Women's Health Research and Policy of C.E.W.H. Society ("WHRS") was incorporated on March 27, 2006 to facilitate and engage in research, evaluation and knowledge exchange for the purpose of improving women's health in British Columbia and Canada. WHRS changed its name to BCCEWHS on March 22, 2010. At March 31, 2012, BCCEWHS has an amount receivable from the Branch of \$2,526 (2011 - \$2,451).

### (b) Related party transactions with PHSA and members:

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

# CHILDREN'S & WOMEN'S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

Notes to Financial Statements  
(Expressed in thousands of dollars)

Year ended March 31, 2012

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## 14. Related entities (continued):

### (b) Related party transactions with PHSA and members (continued):

During the year, the Branch was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2012, revenues include \$5,931 (2011 - \$5,140) resulting from transactions with other PHSA members.

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

## 15. Capital management:

The Branch receives its principal source of capital through funding received from the Ministry of Health. The Branch defines capital to be net assets and deferred capital contributions.

The Branch's objective when managing capital is to fund its operations and capital asset additions, and to conduct research in the field of health care. The Branch manages the capital structure in conjunction with the Ministry of Health and makes adjustments based on available government funding and economic conditions. Currently, the Branch's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Health.

The Branch 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. The Branch has complied with the external restrictions on the funding provided.

## 16. Comparative figures:

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