

Financial Statements of

SSO ADMINISTRATION SOCIETY

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of SSO Administration Society

We have audited the accompanying financial statements of SSO Administration Society, which comprise the statement of financial position as at March 31, 2011, the statements of revenue and expenses and net assets 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 SSO Administration Society as at March 31, 2011, 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.



Chartered Accountants

June 16, 2011
Vancouver, Canada

SSO ADMINISTRATION SOCIETY

Statement of Financial Position
(Expressed in thousands of dollars)

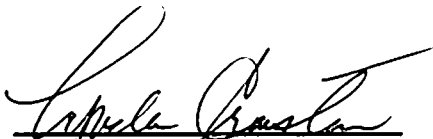
March 31, 2011, with comparative figures for March 31, 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ -	\$ 3,170
Accounts receivable (note 3)	-	21
	-	3,191
Due from Provincial Health Services Authority	-	6,026
	\$ -	\$ 9,217
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ -	\$ 3,191
Deferred capital contributions (note 6)	-	6,026
	-	9,217
Net assets	-	-
	\$ -	\$ 9,217

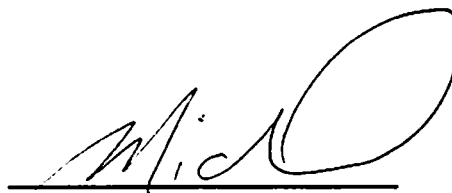
Commitments and contingencies (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

SSO ADMINISTRATION SOCIETY

Statement of Revenue and Expenses and Net Assets
(Expressed in thousands of dollars)

Year ended March 31, 2011, with comparative figures for March 31, 2010

	2011	2010
Revenues:		
Ministry of Health contributions	\$ -	\$ 1,025
Grant-Provincial Health Services Authority	1,849	-
Recovery from health authorities	1,387	2,743
Vendor signing bonus (note 8)	223	952
	<u>3,459</u>	<u>4,720</u>
Expenses:		
Professional fees	1,022	2,574
Contracted payments (note 8)	223	952
Compensation and benefits (note 5)	428	837
Sundry (note 9)	91	231
Equipment and building services (note 10)	1,689	111
Supplies	6	15
	<u>3,459</u>	<u>4,720</u>
Excess of revenues over expenses	-	-
Net assets, beginning and end of year	\$ -	\$ -

See accompanying notes to financial statements.

SSO ADMINISTRATION SOCIETY

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2011, with comparative figures for March 31, 2010

	2011	2010
Cash flows from operating activities:		
Excess of revenues over expenses	\$ -	\$ -
Net change in accounts receivable	6,047	(11)
Net change in accounts payable	(3,191)	3,181
Net change in deferred capital contribution	(6,026)	-
	<u>(3,170)</u>	<u>3,170</u>
Cash flows from investing activities:	-	-
Cash flows from financing activities:	-	-
Increase (decrease) in cash	(3,170)	3,170
Cash, beginning of year	3,170	-
Cash, end of year	<u>\$ -</u>	<u>\$ 3,170</u>

See accompanying notes to financial statements.

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements
Tabular amounts in thousands of dollars
Year ended March 31, 2011

1. Operations:

SSO Administration Society (SSO or the Society) was created under the Society Act (British Columbia) on October 15, 2008, with a Board of Directors appointed by the Ministry of Health. The SSO is owned by its Members, the six provincial health authorities in British Columbia. SSO is dependent on the Ministry of Health and its Members to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Society is a not-for-profit organization under the Income Tax Act, and as such is exempt from income and capital taxes.

The Society was established to identify opportunities where health authorities can improve cost effectiveness by working collaboratively on common services. The Society is governed by a Board of Directors consisting of the Chief Executive Officers of the six health authorities, the Chief Operating Officer of the Ministry of Health, and two external members. The Society was incorporated on October 15, 2008, and operations under the SSO mandate officially commenced April 1, 2009.

On March 30, 2010, the Members of SSO unanimously voted to move the operations of SSO into Provincial Health Services Authority (PHSA). On April 12, 2010, the PHSA Board approved this motion. On September 17, 2010, the net assets of SSO, including the liabilities related to employee benefits, were transferred to a new division of PHSA, the Health Shared Services BC (HSSBC).

2. Significant accounting policies:

(a) Basis of presentation:

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

(b) Revenue recognition:

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

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

Approved operating contributions are recorded as revenue in the period to which they relate and the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

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

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements

Tabular amounts in thousands of dollars

Year ended March 31, 2011

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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.

(c) Employee Future Benefits:

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

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

(d) 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. Actual results could differ from the estimates.

(e) Financial instruments:

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

- The Society 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, receivables are measured at amortized cost using the effective interest rate method.

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements
Tabular amounts in thousands of dollars
Year ended March 31, 2011

3. Accounts receivable:

	2011	2010
Goods and services tax	\$ -	\$ 21

4. Accounts payable and accrued liabilities:

	2011	2010
Due to PHSA	\$ -	\$ 1,252
Due to Health Authorities	-	1,673
Accrued liabilities	-	221
Salaries and benefits payable	-	45
	\$ -	\$ 3,191

5. Employee benefits:

(a) Long-term disability benefits:

The Healthcare Benefit Trust (the Trust) is structured as a multi-employer plan and administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claims for employees of the Society. Contributions to the Trust of \$15,933 (2010 - \$11,963) were expensed up to September 17, 2010, the date the liabilities were transferred to HSSBC. The most recent actuarial valuation for the plan at December 31, 2010, indicated a surplus of \$17,300,000 (December 31, 2009 - \$42,133,000). The Plan covers approximately 85,000 active employees of which 4 were employees of the Society.

(b) Employee pension benefits:

SSO and its employees contributed 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 \$22,189 (2010 - \$31,901) were expensed up to September 17, 2010, the date the liabilities were transferred to HSSBC. 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 \$1,024,000,000 (2006 surplus of \$438,000,000). The Plan covers 163,000 active members of which four were employees of the Society.

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements

Tabular amounts in thousands of dollars

Year ended March 31, 2011

6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions for the purchase of capital assets.

	2011	2010
Deferred capital contributions, beginning of year	\$ 6,026	\$ -
Transfer from (to) Provincial Health Services Authority	(6,026)	6,026
Deferred capital contributions, end of year	\$ -	\$ 6,026

Deferred capital contributions are comprised of the following:

	2011	2010
Unspent contributions	\$ -	\$ 6,026

7. Commitments and contingencies:

Litigation and claims:

The Society is not aware of any litigation pending or in progress. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement. Risk management and insurance services for SSO is provided under the same insurance policies that cover the health authorities in British Columbia which are provided by the risk management branch of the Ministry of Finance.

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements

Tabular amounts in thousands of dollars

Year ended March 31, 2011

8. Contracted payments:

During the year ended March 31, 2011, the Society received a contract signing bonus from one of its vendors of \$223,000 (2010 - \$952,000).

9. Sundry:

	2011	2010
Travel	\$ 41	\$ 176
Membership fees	34	-
Other	16	55
	<u>\$ 91</u>	<u>\$ 231</u>

10. Equipment and building services:

	2011	2010
Rent	\$ 53	\$ 100
Minor equipment and warranty costs	1	11
Network costs	1,539	-
Software licensing	96	-
	<u>\$ 1,689</u>	<u>\$ 111</u>

11. Related parties:

SSO is related through common ownership to all Province of British Columbia 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 recorded on the accrual basis, 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.

SSO ADMINISTRATION SOCIETY

Notes to Financial Statements

Tabular amounts in thousands of dollars

Year ended March 31, 2011

11. Related parties (continued):

The financial statements include transactions with related parties in the following amounts:

	2011	2010
Revenue:		
Ministry of Health contributions	\$ -	\$ 1,025
Grant-Provincial Health Services Authority	1,849	-
Recovery from health authorities	1,539	2,743
	<hr/> 3,388	<hr/> 3,768
Expenses:		
Compensation and benefits	131	470
Equipment and building services	53	100
Supplies and Sundry	13	37
Contracted payments	223	152
	<hr/> 420	<hr/> 759
Receivables:		
Provincial Health Services Authority	-	6,029
Payables and accruals:		
Due to PHSA and other Health Authorities	-	2,687
