

Consolidated Financial Statements of

FRASER HEALTH AUTHORITY

Year ended March 31, 2012



Statement of Management Responsibility

The Consolidated Financial Statements of Fraser Health Authority (the "Authority") for the year ended March 31, 2012 have been prepared by management in accordance with Canadian generally accepted accounting principles, and 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 auditors at least four times a year and also with the external auditors two times a year.

The Authority's internal auditor has the responsibility for assessing the management systems and practices of the Authority.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Authority's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are presented fairly. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Fraser Health Authority

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Brian Woods,
Vice President Corporate Services & CFO

A handwritten signature in blue ink, appearing to read "Nigel Murray", written over a horizontal line.

Dr. Nigel Murray,
President and CEO

May 17, 2012



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Fraser Health Authority, which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

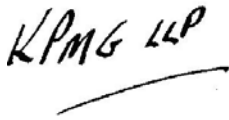
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fraser Health Authority 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.

A handwritten signature in black ink that reads "KPMG LLP". The letters are slanted and connected, with a long horizontal stroke underneath the entire signature.

Chartered Accountants

May 17, 2012

Burnaby, Canada

FRASER HEALTH AUTHORITY

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

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 55,671	\$ 90,509
Short-term investments (note 2)	173,161	148,698
Accounts receivable (note 3)	125,389	79,320
Inventories of materials and supplies (note 4)	25,741	14,902
Prepaid expenses	25,521	22,548
	<u>405,483</u>	<u>355,977</u>
Long-term investments (note 2)	8,294	7,948
Capital assets (note 5)	1,300,988	1,258,181
Long-term disability benefits (note 10(b))	12,947	14,169
	<u>\$ 1,727,712</u>	<u>\$ 1,636,275</u>

Liabilities and Deficiency

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 249,726	\$ 221,183
Deferred operating contributions (note 8)	4,831	6,637
Current portion long-term debt (note 9)	3,144	904
Current portion of other liabilities (note 7)	1,115	535
Current portion of retirement allowance (note 10(a))	10,834	10,887
	<u>269,650</u>	<u>240,146</u>
Long-term debt (note 9)	613,012	573,070
Other liabilities (note 7)	15,187	8,139
Retirement allowance (note 10(a))	93,016	95,773
Deferred capital contributions (note 11)	834,978	822,346
Non-controlling interest in ARHCC Inc.	385	385
	<u>1,826,228</u>	<u>1,739,859</u>
Deficiency:		
Invested in capital assets (note 12(a))	(26,191)	(16,776)
Unrestricted	(72,325)	(86,808)
	<u>(98,516)</u>	<u>(103,584)</u>
Commitments and contingencies (note 13)		
	<u>\$ 1,727,712</u>	<u>\$ 1,636,275</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director

Director

FRASER HEALTH AUTHORITY

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

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

	2012	2011
Revenues:		
Ministry of Health contributions	\$ 2,341,403	\$ 2,177,280
Medical Services Plan	152,097	141,286
Amortization of deferred capital contributions	83,970	77,268
Other contributions (note 15(a))	74,585	67,889
Patients, clients and residents (note 15(b))	72,097	67,021
Investment income	2,308	1,678
Other (note 15(c))	79,734	74,922
	<u>2,806,194</u>	<u>2,607,344</u>
Expenses:		
Compensation and benefits	1,591,488	1,544,219
Referred out and contracted services (note 15(d))	674,487	552,651
Supplies (note 15(e))	240,635	235,553
Depreciation of capital assets	108,717	98,795
Sundry (note 15(f))	98,727	88,951
Equipment and building services	51,583	57,645
Interest on long-term debt	39,709	28,950
	<u>2,805,346</u>	<u>2,606,764</u>
Excess of revenues over expenses	\$ 848	\$ 580

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

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

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

	Invested in capital assets	Unrestricted	2012	2011
Balance beginning of year	\$ (16,776)	\$ (86,808)	\$ (103,584)	\$ (104,220)
Excess (deficiency) of revenues over expenses (note 12(b))	(24,747)	25,595	848	580
Change in market value of investments	-	32	32	56
Purchase of land	4,188	-	4,188	-
Transfer to invested in capital assets (note 12(c))	11,144	(11,144)	-	-
Balance end of year	\$ (26,191)	\$ (72,325)	\$ (98,516)	\$ (103,584)

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

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

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

	2012	2011
Cash flows from operating activities:		
Excess of revenues over expenses	848	\$ 580
Items not involving cash:		
Depreciation of capital assets	108,717	98,795
Amortization of deferred capital contributions	(83,970)	(77,268)
Amortization of deferred gain on sale leaseback	(535)	(535)
Amortization of deferred lease inducements	(89)	-
Loss on disposal of capital assets	-	146
Accretion on long-term debt	1,132	1,560
Retirement allowance expense	11,207	11,859
Long-term disability expense	47,946	46,097
<u>Net change in non-cash operating items (note 16(a))</u>	<u>(39,877)</u>	<u>13,503</u>
	45,379	94,737
Cash flows from investing activities:		
Net change in short-term investments	(24,068)	(1,330)
Net change in long-term investments	(346)	-
Purchase of capital assets	(105,384)	(116,376)
Proceeds from disposal of capital assets	-	1,166
	<u>(129,798)</u>	<u>(116,540)</u>
Cash flows from financing activities:		
Capital contributions	96,240	117,208
Other liabilities	8,252	-
Retirement allowance contributions	(7,283)	(9,404)
Long-term disability contributions	(46,724)	(46,567)
Repayment of long-term debt	(904)	(1,181)
	<u>49,581</u>	<u>60,056</u>
(Decrease) increase in cash and cash equivalents	(34,838)	38,253
Cash and cash equivalents, beginning of year	90,509	52,256
<u>Cash and cash equivalents, end of year</u>	<u>55,671</u>	<u>\$ 90,509</u>

Supplementary information (note 16)

See accompanying notes to consolidated financial statements.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

Fraser Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors (Board) 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 has over 27,000 active employees and 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 presentation:

The consolidated financial statements include the operations of Fraser Health Authority and Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") which is 85% owned by the Authority and 15% owned by Provincial Health Services Authority. All significant balances and transactions between the entities have been eliminated.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations ("NPO").

These consolidated financial statements do not include the assets, liabilities and results of operations of foundations and auxiliaries (see note 18) that support the activities of the Authority and other organizations that provide services under contracts with the Authority.

(b) Revenue recognition:

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

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

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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 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.

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.

(d) Cash and cash equivalents:

All short-term investments, with a term to maturity of three months or less at the date of purchase, are treated as cash and cash equivalents.

(e) Short-term investments:

Short-term investments include bankers' acceptances and pooled money market funds, and are classified as available-for-sale and recorded at fair value.

(f) Inventories of materials and supplies:

Inventories of materials and supplies are measured at the lower of average cost and replacement cost.

(g) Long-term investments:

Long-term investments include floating rate notes that do not mature within the next fiscal year, and are classified as available-for-sale and recorded at fair value.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

1. Significant accounting policies (continued):

(h) Capital assets:

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

Land improvements	20 years
Buildings	20 - 50 years
Building service equipment	15 - 20 years
Equipment	4 - 20 years
Software license fees	3 - 5 years

(i) 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.

(j) 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 costs of the assets are estimated at fair value, based on construction progress verified by an independent certifier, and also include 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 during the construction term. The interest rate used is the project internal rate of return. Upon completion, 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 long-term debt.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

1. Significant accounting policies (continued)

(j) Employee future benefits:

- (i) 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. 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). The average remaining service period of the active employees covered by the multiple employer defined long-term disability 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.
- (ii) Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed.

(k) Asset retirement obligations:

The Authority recognizes asset retirement obligations 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 is changed to reflect the passage of time and changes in the fair value assessment of the retirement obligation.

(l) 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 revenues 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 depreciation of capital assets, fair value of long-term investments, recognition of asset retirement obligations, contingencies and, in particular, assumptions with respect to accrued retirement allowance benefits and long-term disability benefits. Actual results could differ from the estimates.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

1. Significant accounting policies (continued):

(m) Financial instruments:

The Authority has designated all non-derivative financial assets and liabilities as available-for-sale with the exception of certain obligations designated as other liabilities and loans and receivables.

- The Authority initially records all non-derivative financial assets and liabilities at fair value.
- Assets and liabilities classified as available-for-sale are measured at fair value and changes in fair value are recorded in the consolidated statement of changes in net assets if related to unrestricted contributions or to deferred capital contributions if the contributions were restricted. When the financial instruments are de-recognized or become other than temporarily impaired any changes in fair value are reclassified to the consolidated statement of operations.
- Loans and receivables are measured at amortized cost using the effective interest rate method.
- Other liabilities, which include the Authority's accounts payable and accrued liabilities, , long term debt, and obligations under capital leases, are recorded at amortized cost.
- All transaction costs incurred on loans, receivables, and other liabilities are incorporated in the initial fair value of the instrument and are amortized to operations using the effective interest rate method.

Derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment because they qualify as normal purchase and sale instruments. 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 Authority's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, long-term investments, accounts payable and long-term debt. The fair values of these instruments approximate their carrying values.

Credit risk, liquidity risk and interest rate risk - the Authority has investments in pooled bond funds and, as such, is subject to risks arising from the credit worthiness of the underlying assets, the liquidity of the underlying assets and general interest rate fluctuations.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

The Authority has elected to defer applying 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 Authority has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(n) Future accounting framework:

Effective April 1, 2012, the Authority 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 Authority is reviewing the impact of these changes on the financial statements.

2. Cash and cash equivalents and investments:

Cash and cash equivalents and investments are comprised of the following:

	2012	2011
Cash and cash equivalents	\$ 55,671	\$ 90,509
Short-term investments	173,161	148,698
Long-term investments	8,294	7,948
	237,125	247,155
Less amounts restricted for capital purposes	(104,112)	(102,179)
Less amounts restricted for patient comfort funds	(409)	(355)
Unrestricted cash and investments	\$ 132,604	\$ 144,621

The fair market value of cash equivalents and short-term investments approximates cost.

Long-term investments consist of floating rate notes which were originally acquired in fiscal 2008 as non-bank sponsored asset backed commercial paper (ABCP) with maturity values totalling \$13 million. None of the ABCP was redeemed at maturity and under a 2009 restructuring plan the Authority exchanged the ABCP for long term floating rate notes. There is uncertainty in estimating the amount and timing of cash flows from the restructuring and at March 31, 2012, limited market activity existed for the notes.

The estimated fair value recorded of \$8.3 million (2011 - \$7.9 million) is estimated based on the limited available information. In the current year, an increase in the fair value was recognized for \$0.4 million (2011 - \$1.1 million increase).

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

3. Accounts receivable:

	2012	2011
Ministry of Health	\$ 44,829	\$ 10,211
Other health authorities and BC government reporting entities	34,176	15,072
Patients, clients and residents	15,217	13,670
Medical Services Plan	14,961	14,416
Federal and provincial commodity taxes	8,441	19,243
Other	7,613	5,627
Hospital foundations and auxiliaries	5,027	5,233
	130,264	83,472
Less allowance for doubtful accounts	(4,875)	(4,152)
	\$ 125,389	\$ 79,320

4. Inventories of materials and supplies:

Inventories of materials and supplies are comprised of:

	2012	2011
Medical supplies	\$ 19,318	\$ 9,394
Pharmaceuticals	6,423	5,508
	\$ 25,741	\$ 14,902

In order to facilitate the consolidation of supply chain amongst the BC health authorities, the Authority assumed interim ownership of certain medical supplies inventory from the Vancouver Coastal Health Authority. The inventory is expected to be transferred to HSSBC in fiscal 2012/13.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

5. Capital assets:

2012	Cost	Accumulated depreciation	Net book value
Land	\$ 25,869	\$ -	\$ 25,869
Land improvements	8,089	5,156	2,933
Buildings	1,417,929	547,122	870,807
Building service equipment	36,561	27,726	8,835
Construction in progress	158,521	-	158,521
Leasehold improvements	28,058	5,748	22,310
Equipment	656,559	465,915	190,644
Equipment in progress	8,234	-	8,234
Software license fees	61,055	48,220	12,835
	\$ 2,400,875	\$ 1,099,887	\$ 1,300,988

2011	Cost	Accumulated depreciation	Net book value
Land	\$ 21,681	\$ -	\$ 21,681
Land improvements	7,988	4,917	3,071
Buildings	1,226,957	505,187	721,770
Building service equipment	33,007	26,528	6,479
Construction in progress	256,828	-	256,828
Leasehold improvements	20,149	4,550	15,599
Equipment	602,800	422,930	179,870
Equipment in progress	41,316	-	41,316
Software license fees	55,163	43,596	11,567
	\$ 2,265,889	\$ 1,007,708	\$ 1,258,181

During the year, \$3.5 million of interest has been capitalized to construction-in-progress (2011 - \$9.8 million).

Capital assets with a net book value of \$596.3 million (2011 - \$554.8 million) have been constructed under P3 agreements and financed by P3 debt (note 12(a)).

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

6. Accounts payable and accrued liabilities:

	2012	2011
Trade accounts payable and accrued liabilities	\$ 97,990	\$ 85,144
Salaries and benefits payable	83,747	69,807
Accrued vacation pay	67,989	66,232
	\$ 249,726	\$ 221,183

7. Other liabilities:

	2012	2011
Deferred gain on sale and leaseback	\$ 8,139	\$ 8,674
Deferred lease inducement	8,163	-
	16,302	8,674
Less current portion	(1,115)	(535)
	\$ 15,187	\$ 8,139

8. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes, which have not yet been spent on the designated purpose.

	2012	2011
Deferred operating contributions, beginning of year	\$ 6,637	\$ 9,417
Add amount received for specific purposes	4,547	3,758
Less amount recognized as revenue in the year	(6,352)	(6,538)
Deferred operating contributions, end of year	\$ 4,831	\$ 6,637

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

9. Long-term debt:

(a) Long-term debt consists of the following:

	2012	2011
Public-private partnership obligations:		
- Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., monthly payments including interest at 7.75% per annum, payable in accordance with the project agreement terms	\$ 376,687	\$ 375,555
- Jim Pattison Outpatient Care and Surgery Centre, 30 year contract to March 2041 with BCHS Healthcare (Surrey) Limited Partnership, monthly payments including interest at 6.21% per annum, payable in accordance with the project agreement terms	170,974	171,877
- Surrey Memorial Hospital Redevelopment Project, 30 year contract to February 2044 with Integrated Team Solutions SMH Partnership, monthly payments including interest estimated at 7.49% per annum, payable in accordance with the project agreement terms commencing March 2014.	68,495	26,542
	616,156	573,974
Less current portion	(3,144)	(904)
	\$ 613,012	\$ 573,070

(b) Minimum principal amounts scheduled for repayment during the next five years and thereafter are disclosed with public-private partnership commitments in note 13(b).

10. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective 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, 2009 and extrapolated to December 31, 2010 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 at December 31, 2009 and extrapolated to December 31, 2011, from which the March 31, 2012 accrued benefit obligations are derived. The next required valuation will be as of December 31, 2012.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

10. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2012	2011
Accrued benefit obligation:		
Sick leave benefits	\$ 36,534	\$ 37,453
Severance benefits	58,536	59,215
Total unfunded obligation	95,070	96,668
Balance of unamortized amounts	8,780	9,992
Accrued retirement allowance benefits	103,850	106,660
Less current portion	10,834	10,887
Long-term portion	\$ 93,016	\$ 95,773
Retirement allowance expense	\$ 11,207	\$ 11,859
Benefits paid	(7,283)	(9,404)
Retirement allowance liability transferred to other Health Organizations	(6,734)	-

The significant actuarial assumptions adopted in measuring the Authority's accrued 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%

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

10. 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 Authority and other provincially-funded organizations.

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

(i) Long-term disability benefits:

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

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2011. The next valuation will be as of December 31, 2012.

Information about the employee long-term disability benefits is as follows:

	2012	2011
Accrued benefit obligation	\$ 233,687	\$ 217,819
Fair value of plan assets	194,553	178,988
Net unfunded obligation December 31	39,134	38,831
Balance of unamortized amounts	(38,637)	(41,888)
Contributions to the plan (January - March)	(13,444)	(11,112)
Accrued long-term disability benefits obligation (asset)	\$ (12,947)	\$ (14,169)
Long-term disability expense	\$ 47,946	\$ 46,097
Long-term disability plan contributions	(46,724)	(46,568)
Benefits paid	(33,841)	(36,969)

Plan assets consist of:

	2012	2011
Debt securities	55%	54%
Foreign equities	25%	25%
Equity securities and other	20%	21%
Total	100%	100%

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

10. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2012	2011
Accrued benefit obligation as at March 31:		
Discount rate	3.70%	4.30%
Rate of benefit increase	2.00%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.30%	4.90%
Expected long-term rate of return on plan assets	5.50%	6.00%
Rate of benefit increase	2.50%	2.50%

(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 \$47.8 million (2011 - \$48.5 million) were expensed during the year. The most recent actuarial valuation at December 31, 2011 indicated a surplus of \$30.1 million. The plan covers approximately 86,000 active members, of which approximately 17,000 are employees of the Authority. The next valuation will be as of December 31, 2012.

(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 \$78.3 million (2011 - \$70.9 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, 2009 indicated an unfunded liability of approximately \$1,024.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 173,000 active members, of which approximately 19,700 are employees of the Authority. The next required evaluation will be as of December 31, 2012 with results available in 2013.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

10. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$2.9 million (2011 - \$2.9 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2011 indicated a deficit of approximately \$275 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 53,500 active members, of which approximately 600 are employees of the Authority. The next required valuation is as of March 31, 2014 with results available in 2015.

11. 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 consolidated statement of operations.

	2012	2011
Deferred capital contributions, beginning of year	\$ 822,346	\$ 781,302
Ministry of Health	87,664	93,643
Foundations and auxiliaries	6,497	13,395
Health authorities and BC government reporting entities	83	1,506
Regional hospital district	-	7,740
Other	1,996	924
	96,240	117,208
Amortization for the year	(83,970)	(77,268)
Change in market value of investments	362	1,104
Deferred capital contributions, end of year	\$ 834,978	\$ 822,346

Deferred capital contributions are comprised of the following:

	2012	2011
Contributions used to purchase capital assets	\$ 730,866	\$ 720,167
Unspent contributions	104,112	102,179
	\$ 834,978	\$ 822,346

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

12. Invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2012	2011
Capital assets	\$ 1,300,988	\$ 1,258,181
Amounts financed by:		
Deferred capital contributions	(730,866)	(720,167)
Long-term debt	(596,315)	(554,790)
	\$ (26,191)	\$ (16,776)

(b) Deficiency of revenues over expenses:

	2012	2011
Amortization of deferred capital contributions	\$ 83,970	\$ 77,268
Depreciation of capital assets	(108,717)	(98,795)
Loss on disposal of capital assets	-	(146)
	\$ (24,747)	\$ (21,673)

(c) Transfer to invested in capital assets:

	2012	2011
Purchase of capital assets	\$ 152,699	\$ 194,297
Acquisition of land	(4,188)	-
Amounts funded by deferred capital contributions	(94,939)	(112,220)
Amounts funded by long-term debt	(42,428)	(78,055)
	\$ 11,144	\$ 4,022

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

13. Commitments and contingencies:

(a) Operating leases:

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

2013	\$ 20,515
2014	18,367
2015	15,709
2016	14,560
2017	14,145
Thereafter	129,725
	\$ 213,021

(b) Public-private partnerships commitments:

The Authority has entered into multiple-year P3 contracts to design, build, finance and maintain the Abbotsford Regional Hospital and Cancer Centre, the Jim Pattison Outpatient Care and Surgery Centre and the Surrey Memorial Hospital Redevelopment Project. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. As construction progresses the asset values are recorded as capital assets and the corresponding liabilities are recorded as long-term debt and disclosed in note 9. 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
2013	\$ 42,968	\$ 18,871	\$ 61,839
2014	45,525	21,508	67,033
2015	58,914	29,143	88,057
2016	59,476	30,354	89,830
2017	60,079	33,390	93,469
Thereafter	1,516,488	1,099,988	2,616,476
	\$ 1,783,450	\$ 1,233,254	\$ 3,016,704

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

13. Commitments and contingencies (continued):

(c) Capital commitments:

The Authority entered into a project agreement with Integrated Team Solutions SMH Partnership ("ITS") in December, 2010. Under the agreement, ITS will design, construct, finance and maintain the Surrey Memorial Hospital Redevelopment Project until the end of the term of the agreement, February, 2044. The total estimated capital cost of the project at completion in March, 2014 is \$511.5 million, of which \$318.3 million relates to the project agreement. Project costs and capitalized interest to March 31, 2012 of \$139.6 million have been included in construction in progress and corresponding long-term debt of \$68.5 million and deferred capital contributions of \$71.1 million.

(d) Litigation and claims:

The nature of the Authority'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 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.

(e) 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.

(f) Asset retirement obligations:

The Authority has identified significant asset retirement obligations relating to asbestos removal in several of its other facilities. At this time, the Authority has not recognized these asset retirement obligations as there is an indeterminate settlement date of the future demolition or renovation of the facilities and therefore the fair value cannot be reasonably estimated. The asset retirement obligations will be recognized as a liability in the period when the fair value can be reasonably estimated.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

14. Capital management:

The Authority defines capital as net assets, long-term debt and deferred capital contributions. The Authority receives its principal source of capital through funding received from the Ministry.

The Authority's objective when managing capital is to fund its operations and capital asset investments. The Authority manages the capital structure in conjunction with the Ministry and makes adjustments based on available government funding and economic conditions. Currently, the Authority's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by 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 by the funding party. The Authority has complied with the external restrictions on the funding provided.

15. Statement of operations:

(a) Other contributions:

	2012	2011
Provincial Health Services Authority	\$ 67,690	\$ 59,447
Other ministries	4,659	5,179
Other	2,236	3,263
	<u>\$ 74,585</u>	<u>\$ 67,889</u>

(b) Patients, clients and residents revenue:

	2012	2011
Residents of BC self-pay	\$ 32,575	\$ 31,707
WorkSafe BC	12,536	10,876
Non-residents of BC	9,217	8,738
Non-residents of Canada	8,809	7,633
Federal government	4,110	3,451
Preferred accommodation	3,497	3,117
Other	1,353	1,499
	<u>\$ 72,097</u>	<u>\$ 67,021</u>

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

15. Statement of operations (continued):

(c) Other revenues:

	2012	2011
Recoveries from other health authorities and BC government reporting entities	\$ 41,497	\$ 36,483
Parking	10,705	9,448
Compensation recoveries	9,901	10,789
Amortization of deferred gain on sale leaseback	535	535
Loss on disposal of assets	-	(146)
Other	17,096	17,813
	<hr/>	<hr/>
	\$ 79,734	\$ 74,922

(d) Referred out and contracted services:

	2012	2011
Residential care	\$ 344,573	\$ 331,186
Community care	79,984	72,009
Mental health	67,583	67,816
Medical imaging	46,876	-
Housekeeping	23,760	23,389
Information technology	21,765	5,674
Facilities management	21,292	19,558
Supply chain	17,070	5,899
Health information management	16,666	-
Laundry	15,019	12,986
Security	5,961	5,394
Food services	5,561	1,891
Other	8,377	6,849
	<hr/>	<hr/>
	\$ 674,487	\$ 552,651

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

15. Statement of operations (continued):

(e) Supplies:

	2012	2011
Medical and surgical	\$ 107,099	\$ 104,596
Drugs and medical gases	58,209	59,025
Diagnostic	22,640	20,956
Plant operations	21,771	20,797
Food and dietary	12,595	13,069
Laundry and linen	9,706	9,025
Other	8,614	8,085
	<hr/>	<hr/>
	\$ 240,635	\$ 235,553

(f) Sundry:

	2012	2011
Rent	\$ 32,562	\$ 27,208
Professional fees	11,888	9,634
Patient transport	9,976	9,591
Travel	6,675	6,741
Communications and data processing	6,650	5,666
Other	30,976	30,111
	<hr/>	<hr/>
	\$ 98,727	\$ 88,951

16. Statement of cash flows:

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

	2012	2011
Accounts receivable	\$ (46,069)	\$ (19,082)
Inventories of materials and supplies	(10,839)	407
Prepaid expenses	(2,973)	(145)
Accounts payable and accrued liabilities	21,810	35,103
Deferred operating contributions	(1,806)	(2,780)
	<hr/>	<hr/>
	\$ (39,877)	\$ 13,503

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

16. 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	\$ 152,699	\$ 194,297
Disposal of capital assets	(1,174)	-
Acquisition of land	(4,188)	-
Jim Pattison Outpatient Care and Surgery Centre construction financed with long-term debt	-	(51,379)
Surrey Memorial Hospital Redevelopment Project construction financed with long-term debt	(41,953)	(26,542)
	<hr/>	<hr/>
	\$ 105,384	\$ 116,376

(c) Supplementary Information:

	2012	2011
Interest paid	\$ 38,577	\$ 27,425
Interest received	993	820
Non-cash transactions:		
Change in market value of investments capitalized to deferred capital contributions	363	1,104
Change in market value of investments credited to net assets	32	56
Retirement allowance liability transferred to other Health Organizations	(6,734)	-

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

17. Related parties:

The Authority 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 considered 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.

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

	2012	2011
Revenue		
Ministry of Health contributions	\$ 2,341,403	\$ 2,177,280
Medical Services Plan	152,097	141,286
Other contributions	68,679	64,336
Patients, clients and residents	9,217	8,738
Amortization of deferred capital contributions	50,248	48,131
Other	45,869	41,583
	\$ 2,667,513	\$ 2,481,354
Expenses		
Referred out and contracted services	\$ 127,695	\$ 38,365
Supplies and sundry	28,911	22,529
	\$ 156,606	\$ 60,894
Accounts receivable		
Other health authorities and BC government reporting entities	\$ 34,176	\$ 15,958
Medical Services Plan	14,961	14,416
Ministry of Health	44,829	10,211
	\$ 93,966	\$ 40,585
Accounts payable and accrued liabilities	\$ 31,429	\$ 8,634
Deferred operating contributions	751	2,451
Deferred capital contributions	782,672	691,173

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

18. Foundations and Auxiliaries:

The following Foundations and Auxiliaries were established to raise funds for the respective hospitals and/or community health services within the Fraser Health Authority. The Foundations and the 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 net assets and results from operations of the Foundations and the Auxiliaries are not included in the consolidated statements of the Authority.

(a) During the year, the Authority received the following contributions from the Foundations:

	2012	2011
Burnaby Hospital Foundation	\$ 1,195	\$ 1,534
Delta Hospital Foundation	611	140
The Eagle Ridge Hospital Foundation	299	40
Fraser Valley Health Care Foundation	290	5,573
Langley Memorial Hospital Foundation	440	211
Peace Arch Hospital and Community Health Foundation	805	3,867
Queen's Park Healthcare Foundation	-	159
The Ridge Meadows Hospital Foundation	630	385
Royal Columbian Hospital Foundation	1,465	810
Surrey Memorial Hospital Foundation	1,001	577
	<u>\$ 6,736</u>	<u>\$ 13,296</u>

(b) Net assets of the Foundations as at March 31, 2011 were as follows:

Burnaby Hospital Foundation	\$ 5,790
Delta Hospital Foundation	2,161
The Eagle Ridge Hospital Foundation	2,803
Fraser Valley Health Care Foundation	1,564
Langley Memorial Hospital Foundation	7,913
Peace Arch Hospital and Community Health Foundation	25,192
Queen's Park Healthcare Foundation	614
The Ridge Meadows Hospital Foundation	6,183
Royal Columbian Hospital Foundation	7,966
Surrey Memorial Hospital Foundation	12,188
	<u>\$ 72,374</u>

Net assets of the Foundations as at March 31, 2012 have not been reported as they were not available.

FRASER HEALTH AUTHORITY

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

Year ended March 31, 2012

18. Foundations and Auxiliaries (continued):

(c) During the year, the Authority received the following contributions from the Auxiliaries:

	2012	2011
Delta Hospital Auxiliary Society	\$ 199	\$ 493
Eagle Ridge Hospital Auxiliary	36	-
Langley Memorial Hospital Auxiliaries Council	239	389
Peace Arch Hospital Auxiliary Society	315	256
Auxiliary to Ridge Meadows Hospital	160	25
Royal Columbian Hospital Auxiliary	92	53
Surrey Memorial Hospital Auxiliary	91	99
Other auxiliaries	-	14
	<hr/>	<hr/>
	\$ 1,132	\$ 1,329

Net assets of the Auxiliaries have not been reported as they were not available.

19. Comparative figures

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