

Financial Statements of

**BRITISH COLUMBIA CENTRE
FOR DISEASE CONTROL AND
PREVENTION SOCIETY BRANCH**

Year ended March 31, 2017



May 26, 2017

Independent Auditor's Report

To the Board of British Columbia Centre for Disease Control and Prevention Society Branch

We have audited the accompanying financial statements of British Columbia Centre for Disease Control and Prevention Society Branch, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation 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.

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**Opinion**

In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2017 and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 16 to the financial statements discloses the impact of these differences.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

As at March 31, 2017

	2017	2016
Financial assets		
Cash and cash equivalents	\$ 263	\$ 43
Accounts receivable (note 2)	6,548	9,077
	6,811	9,120
Liabilities		
Accounts payable and accrued liabilities (note 3)	4,739	6,565
Deferred operating contributions (note 4)	3,652	3,652
Deferred research and designated contributions (note 5)	3,410	3,588
Asset retirement obligations	20	22
Retirement allowance (note 6(a))	1,647	1,193
Deferred capital contributions (note 7)	7,082	8,214
	20,550	23,234
Net debt	\$ (13,739)	\$ (14,114)
Non-financial assets		
Tangible capital assets (note 8)	\$ 7,086	\$ 8,078
Inventories held for use (note 9)	25,631	24,949
Prepaid expenses	349	351
	33,066	33,378
Accumulated surplus	\$ 19,327	\$ 19,264

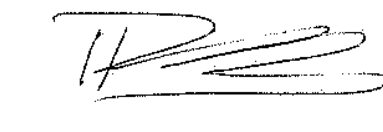
Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

Year ended March 31, 2017

	2017 Budget (note 1(j))	2017	2016
Revenues:			
Provincial Health Services			
Authority contributions	\$ 114,755	\$ 112,940	\$ 103,117
Research and designated			
contributions (note 5)	3,400	2,362	3,006
Medical Services Plan	1,072	1,927	2,096
Other (note 11(a))	927	1,185	1,228
Amortization of deferred capital			
contributions (note 7)	838	1,011	987
Recoveries from other health authorities			
and BC government reporting entities	720	522	550
Other contributions	3,652	408	226
Patients, clients and residents (note 11(b))	257	332	242
	125,621	120,687	111,452
Expenses (note 11(c)):			
Population health and wellness	120,688	104,935	100,742
Mental health and substance use	2,498	9,397	5,083
Corporate	192	4,215	3,491
Acute	2,243	2,077	2,248
	125,621	120,624	111,564
Annual surplus (deficit)	\$ -	\$ 63	\$ (112)
Accumulated surplus, beginning of year	19,264	19,264	19,376
Accumulated surplus, end of year	\$ 19,264	\$ 19,327	\$ 19,264

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

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

Year ended March 31, 2017

	2017 Budget (note 1(j))	2017	2016
Annual surplus (deficit)	\$ -	\$ 63	\$ (112)
Acquisition of tangible capital assets	-	(16)	(1,006)
Transfer of tangible capital assets from other Agencies	-	-	(1,005)
Asset retirement obligations	-	(3)	(1)
Amortization of tangible capital assets	838	1,011	987
	838	1,055	(1,137)
Acquisition of inventories held for use	-	(56,029)	(51,557)
Acquisition of prepaid expenses	-	(4,198)	(4,221)
Consumption of inventories held for use	-	55,347	52,766
Use of prepaid expenses	-	4,200	4,216
Write-off of inventories held for use	-	-	2,599
	-	(680)	3,803
Decrease in net debt	838	375	2,666
Net debt, beginning of year	(14,114)	(14,114)	(16,780)
Net debt, end of year	\$ (13,276)	\$ (13,739)	\$ (14,114)

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

	2017	2016
Cash flows from (used in) operating activities:		
Annual surplus (deficit)	\$ 63	\$ (112)
Items not involving cash:		
Amortization of deferred capital contributions	(1,011)	(987)
Amortization of tangible capital assets	1,011	987
Write-off of inventories held for use	-	2,599
Reduction of asset retirement obligations	(5)	-
Retirement allowance expense	534	221
	592	2,708
Net change in non-cash operating items (note 12(a))	(155)	(2,780)
Net change in cash from operating activities	437	(72)
Capital activities:		
Acquisition of tangible capital assets (note 12(b))	(16)	(1,006)
Net change in cash from capital activities	(16)	(1,006)
Financing activities:		
Retirement allowance benefits paid	(80)	(67)
Capital contributions	(121)	1,143
Net change in cash from financing activities	(201)	1,076
Increase (decrease) in cash and cash equivalents	220	(2)
Cash and cash equivalents, beginning of year	43	45
Cash and cash equivalents, end of year	\$ 263	\$ 43

Supplementary cash flow information (note 12)

See accompanying notes to financial statements.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

The British Columbia Centre for Disease Control and Prevention Society Branch (the “Branch”) was created as a branch society of the Provincial Health Services Authority (“PHSA” or the “Authority”), a society incorporated under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the “Ministry”). PHSA is one of six health authorities in British Columbia (“BC”). The Branch is dependent on the Ministry 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* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as “Agencies”) are also included in PHSA’s mandate:

- British Columbia Cancer Agency Branch;
- British Columbia Emergency Health Services;
- British Columbia Mental Health Society Branch;
- British Columbia Provincial Renal Agency;
- British Columbia Transplant Society Branch;
- Cardiac Services British Columbia;
- Children’s & Women’s Health Centre of British Columbia Branch; and
- Forensic Psychiatric Services Commission.

The Branch was formed for the purpose of detection, prevention, and control of disease in the province of BC and the provision of specialty health support services in the province of BC. Activities of the Branch include ongoing surveillance and analysis of communicable diseases within the province of BC; development of immunization programs and distribution of vaccines and pharmaceuticals; operation of clinics for testing of communicable diseases; provision of diagnostic and consultative services to other health care providers in the province of BC; and provision of training and education to health care providers and the public.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the “framework”).

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards (“PSAS”) issued by the Public Sector Accounting Board (“PSAB”) without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Branch.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 16.

The Branch has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the financial statements do not include the assets, liabilities, and results of operations of these entities (see note 13(b)).

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

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

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2016 – 11 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Branch to pay benefits occurs.

(e) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Branch's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Revenue recognition:

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

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the 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 fair value can be reasonably determined.

(g) 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.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(h) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. The Branch does not have significant transactions denominated in foreign currencies.

(i) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Branch's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(j) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2016/2017 Budget approved by the Board of Directors on April 21, 2016. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(k) Future accounting standards:

- (i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Branch.
- (ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:
- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
 - Transactions are measured at the carrying amount, except in specific circumstances;
 - A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
 - The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

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

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

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(k) Future accounting standards (continued):

- (iv) In June 2015, PSAB issued PS 3320, *Contingent Assets*. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3320 on the financial statements of the Branch.
- (v) In June 2015, PSAB issued PS 3380, *Contractual Rights*. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3380 on the financial statements of the Branch.

2. Accounts receivable:

	2017	2016
Provincial Health Services Authority	\$ 4,675	\$ 5,955
Patients, clients and residents	1,149	1,766
Federal government	188	40
Other health authorities and BC government reporting entities	139	70
Other grantors	9	-
Medical Services Plan	-	250
Ministry of Health	-	350
Other	388	648
	6,548	9,079
Allowance for doubtful accounts	-	(2)
	\$ 6,548	\$ 9,077

3. Accounts payable and accrued liabilities:

	2017	2016
Trade accounts payable and accrued liabilities	\$ 1,763	\$ 2,670
Salaries and benefits payable	1,592	2,554
Accrued vacation pay	1,384	1,341
	\$ 4,739	\$ 6,565

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

4. Deferred operating contributions:

Deferred operating contributions represent government transfers from the federal government in the form of externally restricted operating funding received for the purpose of the pandemic drug inventory initiative.

	2017	2016
Deferred operating contributions, beginning of year	\$ 3,652	\$ 3,724
Amounts recognized as revenue in the year	-	(72)
Deferred operating contributions, end of year	\$ 3,652	\$ 3,652

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Public Health Agency of Canada, Health Canada, pharmaceutical companies, foundations and other donors, for various research projects in the field of prevention, health promotion and other special purpose initiatives.

Government transfers	2017	2016
Deferred research and designated contributions, beginning of year	\$ 2,485	\$ 2,997
Contributions received during the year	1,258	1,787
Amounts transferred to deferred capital contributions (note 7)	-	(12)
Amounts recognized as revenue in the year	(1,463)	(2,287)
Deferred research and designated contributions, end of year	\$ 2,280	\$ 2,485

Other contributions	2017	2016
Deferred research and designated contributions, beginning of year	\$ 1,103	\$ 316
Contributions received during the year	917	1,506
Amounts recognized as revenue in the year	(899)	(719)
Amounts to be received in future periods	9	-
Deferred research and designated contributions, end of year	\$ 1,130	\$ 1,103

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

5. Deferred research and designated contributions (continued):

		2017		2016
Government transfers	\$	2,280	\$	2,485
Other contributions		1,130		1,103
Balance, end of year	\$	3,410	\$	3,588

6. 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 collective or employee 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 actuarial valuation as at the early measurement date of December 31, 2015 and extrapolated to March 31, 2017 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2017 are derived. The next expected valuation will be as of December 31, 2018.

Information about retirement allowance benefits is as follows:

		2017		2016
Accrued benefit obligation:				
Severance benefits	\$	1,964	\$	1,937
Sick leave benefits		1,387		1,404
		3,351		3,341
Unamortized actuarial loss		(1,704)		(2,148)
Accrued benefit liability	\$	1,647	\$	1,193

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

6. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2017	2016
Accrued benefit liability, beginning of year	\$ 1,193	\$ 1,039
Net benefit expense:		
Current service cost	204	144
Interest expense	126	52
Amortization of actuarial loss	204	25
Net benefit expense	534	221
Benefits paid	(80)	(67)
Accrued benefit liability, end of year	\$ 1,647	\$ 1,193

The significant actuarial assumptions adopted in measuring the Branch's accrued retirement benefit obligation are as follows:

	2017	2016
Accrued benefit obligation as at March 31:		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

6. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

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

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

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Branch participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2016 extrapolated to March 31, 2017 indicated a deficit of \$5,803 (2016 – deficit of \$1,978). Contributions of \$1,531 (2016 – \$1,400) were expensed during the year. The PHSA plan covers approximately 10,100 active employees, of which approximately 200 are employees of the Branch (2016 – 200). The next expected valuation will be as of December 31, 2017.

(ii) Joint benefit trusts:

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

(c) Employee pension benefits:

The Branch 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*.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

6. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Municipal Pension Plan of \$2,434 (2016 – \$2,160) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2015 indicated a funding surplus of approximately \$2,224,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 189,000 active members, of which approximately 250 are employees of the Branch (2016 – 250). The next expected valuation will be as of December 31, 2018, with results available in 2019.

Employer contributions to the Public Service Pension Plan of \$327 (2016 – \$367) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2014 indicated a funding surplus of approximately \$194,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 58,000 active members, of which approximately 10 are employees of the Branch (2016 – 10). The next actuarial valuation will be as of March 31, 2017, with results available in 2018.

7. Deferred capital contributions:

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

	2017	2016
Deferred capital contributions, beginning of year	\$ 8,214	\$ 7,053
Capital contributions received:		
Provincial Health Services Authority	13	639
Foundations and auxiliaries	(12)	503
Other	-	1
	1	1,143
Transfer of tangible capital assets (to) from other Agencies	(122)	1,005
Amortization for the year	(1,011)	(987)
Deferred capital contributions, end of year	\$ 7,082	\$ 8,214

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

7. Deferred capital contributions (continued):

Deferred capital contributions comprise the following:

	2017	2016
Contributions used to purchase tangible capital assets	\$ 7,082	\$ 8,078
Unspent contributions	-	136
	\$ 7,082	\$ 8,214

8. Tangible capital assets:

Cost	2016	Additions	Disposals	2017
Buildings	\$ 2,534	\$ -	\$ -	\$ 2,534
Equipment	5,682	15	(31)	5,666
Information systems	2,535	-	-	2,535
Leasehold improvements	8,434	4	-	8,438
Vehicles	100	-	-	100
Total	\$ 19,285	\$ 19	\$ (31)	\$ 19,273

Accumulated amortization	2016	Amortization	Disposals	2017
Buildings	\$ 348	\$ 191	\$ -	\$ 539
Equipment	5,208	50	(31)	5,227
Information systems	1,564	428	-	1,992
Leasehold improvements	3,987	342	-	4,329
Vehicles	100	-	-	100
Total	\$ 11,207	\$ 1,011	\$ (31)	\$ 12,187

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

8. Tangible capital assets (continued):

Cost	2015	Additions	Disposals	Transfers	2016
Buildings	\$ 1,426	\$ -	\$ -	\$ 1,108	\$ 2,534
Equipment	5,780	11	(109)	-	5,682
Information systems	1,285	-	-	1,250	2,535
Leasehold improvements	8,434	-	-	-	8,434
Vehicles	99	1	-	-	100
Construction in progress	94	995	-	(1,089)	-
Equipment and information systems in progress	264	-	-	(264)	-
Total	\$ 17,382	\$ 1,007	\$ (109)	\$ 1,005	\$ 19,285

Accumulated amortization	2015	Amortization	Disposals	2016
Buildings	\$ 203	\$ 145	\$ -	\$ 348
Equipment	5,190	127	(109)	5,208
Information systems	1,196	368	-	1,564
Leasehold improvements	3,646	341	-	3,987
Vehicles	94	6	-	100
Total	\$ 10,329	\$ 987	\$ (109)	\$ 11,207

Net book value	2017	2016
Buildings	\$ 1,995	\$ 2,186
Equipment	439	474
Information systems	543	971
Leasehold improvements	4,109	4,447
Total	\$ 7,086	\$ 8,078

Tangible capital assets are funded from deferred capital contributions.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

9. Inventories held for use:

	2017	2016
Pharmaceuticals	\$ 24,686	\$ 24,226
Medical supplies	945	723
	<u>\$ 25,631</u>	<u>\$ 24,949</u>

At March 31, 2017, inventories held for use included \$19,262 of pandemic biologicals inventory which expires in fiscal year 2018.

10. Commitments and contingencies:

(a) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2018	\$ 548
2019	143
2020	61
2021	2
	<u>\$ 754</u>

(b) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Branch's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2017, management is of the opinion that the Branch 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.

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Notes to Financial Statements
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Year ended March 31, 2017

11. Statement of operations:

(a) Other revenues:

	2017	2016
Recoveries from sales of goods and services	\$ 1,015	\$ 1,052
Parking	165	171
Drug sales	-	5
Other	5	-
	<u>\$ 1,185</u>	<u>\$ 1,228</u>

(b) Patients, clients and residents:

Revenue from patients, clients and residents is represented by amounts received from the federal government.

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Notes to Financial Statements
(Amounts expressed in thousands of dollars)

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11. Statement of operations (continued):

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

	2017	2016
Supplies:		
Drugs and medical gases	\$ 43,711	\$ 43,862
Diagnostic	11,270	11,071
Medical and surgical	8,120	4,683
Printing, stationery and office	186	242
Housekeeping	39	34
Laundry and linen	35	46
Food and dietary	9	11
Other	297	241
	63,667	60,190
Compensation:		
Compensation	34,039	29,961
Employee benefits	6,800	5,903
	40,839	35,864
Equipment and building services:		
Rent	4,470	4,182
Equipment	1,980	1,759
Building and grounds service contracts	183	440
Plant operation	3	-
	6,636	6,381
Sundry:		
Professional fees	1,628	1,291
Travel	360	299
Communication and data processing	276	234
Other	2,573	2,030
	4,837	3,854
Research and designated expenses	2,362	3,006
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	796	722
Health and support services providers	476	560
	1,272	1,282
Amortization of tangible capital assets	1,011	987
	\$ 120,624	\$ 111,564

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Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

12. Supplementary cash flow information:

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

	2017	2016
Accounts receivable	\$ 2,529	\$ (524)
Accounts payable and accrued liabilities	(1,826)	(3,663)
Deferred operating contributions	-	(72)
Deferred research and designated contributions	(178)	275
Inventories held for use	(682)	1,209
Prepaid expenses	2	(5)
	\$ (155)	\$ (2,780)

(b) Acquisition of tangible capital assets:

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

	2017	2016
Transfer of tangible capital assets from other Agencies	\$ -	\$ 1,005
Additions to asset retirement obligations	3	1
	\$ 3	\$ 1,006

13. Related entities:

(a) BC government reporting entities:

The Branch is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

13. Related entities (continued):

(a) BC government reporting entities (continued):

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

	2017	2016
Revenues:		
Medical Services Plan	\$ 1,927	\$ 2,096
Research and designated contributions	1,463	36
Recoveries from other health authorities and BC government reporting entities	522	550
	\$ 3,912	\$ 2,682
Expenses:		
Equipment and building services	\$ 4,230	\$ 4,478
Compensation and benefits	2,083	1,855
Referred-out and contracted services	796	722
Sundry	130	92
Research and designated expenses	126	196
Supplies	13	4
	\$ 7,378	\$ 7,347
Accounts receivable:		
Other health authorities and BC government reporting entities	\$ 139	\$ 70
Medical Services Plan	-	353
Ministry of Health	-	350
	\$ 139	\$ 773
Accounts payable and accrued liabilities	\$ 903	\$ 954
Deferred research and designated contributions	749	723
	\$ 1,652	\$ 1,677

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
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Year ended March 31, 2017

13. Related entities (continued):

(b) Foundations and auxiliaries:

The Branch has economic relationships with the British Columbia Centre for Disease Control Foundation for Population and Public Health (the "Foundation") which is responsible for fundraising activities of the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia* with separate governance structures and is a registered charity under the provisions of the *Income Tax Act* of Canada.

The financial and non-financial assets and liabilities and results from operations of the Foundation are not included in the financial statements of the Branch.

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

	2017	2016
Research	\$ 50	\$ -
Capital	-	13
	\$ 50	\$ 13

(c) Related party transactions with PHSA and members:

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

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

For the year ended March 31, 2017, expenses include \$120 (2016 – revenues \$268) resulting from transactions with other PHSA members.

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

14. Risk management:

The Branch is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Branch's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Branch's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

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Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

14. Risk management (continued):

(a) Credit risk (continued):

The Branch manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Branch periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Branch periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2017, the amount of allowance for doubtful accounts was \$nil (2016 – \$2).

The Branch is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. At March 31, the following accounts receivable were past due but not impaired:

	2017	2016
30 days	\$ 67	\$ 70
60 days	-	13
90 days	-	4
120 days	7	231

(b) Liquidity risk:

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they become due. It is the Branch's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Branch's principal source of funding is from the Ministry. 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 or grant documentation. The Branch has complied with the external restrictions on the funding provided.

All financial assets of the Branch have maturities within one year.

BRITISH COLUMBIA CENTRE FOR DISEASE CONTROL AND PREVENTION SOCIETY BRANCH

Notes to Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2017

14. Risk management (continued):

(b) Liquidity risk (continued):

The tables below show when various financial liabilities mature:

2017					
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total	
Accounts payable and accrued liabilities	\$ 4,739	\$ -	\$ -	\$	4,739
Total financial liabilities	\$ 4,739	\$ -	\$ -	\$	4,739
2016					
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total	
Accounts payable and accrued liabilities	\$ 6,090	\$ 110	\$ 365	\$	6,565
Total financial liabilities	\$ 6,090	\$ 110	\$ 365	\$	6,565

15. Comparative figures:

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

16. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Branch to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

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Notes to Financial Statements
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Year ended March 31, 2017

16. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011 (continued):

The impact of the departure from PSAS on the financial statements of the Branch is as follows:

As at March 31, 2015		
Increase in accumulated surplus	\$	7,053
Decrease in deferred capital contributions		(7,053)
For the year ended March 31, 2016		
Decrease in annual deficit		1,025
As at March 31, 2016		
Increase in accumulated surplus		8,078
Decrease in deferred capital contributions		(8,078)
For the year ended March 31, 2017		
Decrease in annual surplus		(996)
As at March 31, 2017		
Increase in accumulated surplus		7,082
Decrease in deferred capital contributions		(7,082)

17. BC Societies Act:

Effective November 28, 2016, a new Societies Act came into force in British Columbia. Under the new Act, the Branch is subject to certain new financial statement disclosure requirements. These disclosure requirements include: (a) remuneration paid to the Society's directors, (b) remuneration paid to the ten most highly paid employees and contractors of the Society who were paid at least seventy-five thousand dollars during the period, and (c) any financial assistance provided by the Society during the period that was outside the ordinary course of activities.

(a) Remuneration paid to Directors:

All directors of the Branch are also directors of PHSA. Each director of the Branch is paid a retainer as a board member of PHSA. The directors do not receive any additional retainer for their service on the board of the Branch society.

(b) Remuneration paid to highest paid employees and contractors:

The ten most highly remunerated persons whose remuneration was at least seventy-five thousand dollars during the year ended March 31, 2017 received an aggregate of \$3,000 from the Authority during that period. All of these individuals are physicians, and included in the amounts received during the year are retroactive payments for past rate adjustments and payments previously on hold for Ministry confirmation of practice category rulings.

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Notes to Financial Statements
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17. BC Societies Act (continued):

(c) Financial assistance:

The Authority did not provide any financial assistance outside the ordinary course of activities during the year ended March 31, 2017.