Financial Statements of

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

Year ended March 31, 2016

June 29, 2016

Independent Auditor's Report

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

We have audited the accompanying financial statements of Children's & Women's Health Centre of British Columbia Branch, which comprise the statement of financial position as at March 31, 2016 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, 2016 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 19 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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

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

As at March 31, 2016

		2016		2015
Financial assets				
Cash and cash equivalents	$	339	$	1,301
Accounts receivable (note 2)		74,301		58,198
Inventories held for sale (note 3)		451		471
		75,091		59,970
Liabilities				
Accounts payable and accrued liabilities (note 4)		78,107		68,573
Deferred operating contributions (note 5)		215		215
Deferred research and designated contributions (note 6)		3,248		4,449
Asset retirement obligations (note 7)		70		71
Debt (note 8)		126,770		49,334
Retirement allowance (note 9(a))		27,374		26,344
Deferred capital contributions (note 10)		409,817		356,635
		645,601		505,621
Net debt	$	(570,510)	$	(445,651)
Non-financial assets				
Tangible capital assets (note 11)	$	645,659	$	519,870
Inventories held for use (note 12)		3,901		5,075
Prepaid expenses		1,603		1,441
		651,163		526,386
Accumulated surplus	$	80,653	$	80,735

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

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

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

Year ended March 31, 2016

	2016 Budget (note 1(m))	2016	2015
Revenues:			
Provincial Health Services Authority contributions	$ 355,254	$ 364,480	$ 324,267
Medical Services Plan	83,755	89,832	84,485
Amortization of deferred capital contributions (note 10)	20,483	19,429	20,775
Other (note 14(a))	16,465	17,307	14,572
Patients, clients and residents (note 14(b))	9,046	15,247	13,026
Other contributions (note 14(c))	15,409	13,056	14,133
Research and designated contributions (note 6)	12,502	13,054	12,382
Recoveries from other health authorities and BC government reporting entities	4,775	10,349	9,813
Pharmacare	5,550	5,617	5,879
	523,239	548,371	499,332
Expenses (note 14(d)):			
Acute	437,407	466,925	446,614
Community care	37,830	36,208	8,546
Mental health and substance use	31,968	30,764	33,347
Population health and wellness	15,098	13,551	9,321
Corporate	866	936	1,337
Residential care	70	69	70
	523,239	548,453	499,235
Annual (deficit) surplus	$ -	$ (82)	$ 97
Accumulated surplus, beginning of year	80,735	80,735	80,638
Accumulated surplus, end of year	$ 80,735	$ 80,653	$ 80,735

See accompanying notes to financial statements.

CHILDREN’S & WOMEN’S HEALTH CENTRE OF BRITISH COLUMBIA BRANCH

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

Year ended March 31, 2016

	2016 Budget (note 1(m))	2016	2015
Annual (deficit) surplus	$ -	$ (82)	$ 97
Acquisition of tangible capital assets	(140,897)	(140,245)	(101,061)
Transfer of tangible capital assets	-	(672)	934
Asset retirement obligations	-	1	(259)
Amortization of tangible capital assets	20,974	19,733	20,120
Net book value of disposed tangible capital assets	-	197	1,766
Contributed tangible capital assets	-	(21)	-
Capitalized interest	-	(4,782)	(1,813)
	(119,923)	(125,871)	(80,216)
Acquisition of inventories held for use	-	(32,924)	(35,999)
Acquisition of prepaid expenses	-	(3,622)	(3,011)
Consumption of inventories held for use	-	34,098	35,525
Use of prepaid expenses	-	3,460	2,197
	-	1,012	(1,288)
Increase in net debt	(119,923)	(124,859)	(81,504)
Net debt, beginning of year	(445,651)	(445,651)	(364,147)
Net debt, end of year	$ (565,574)	$ (570,510)	$ (445,651)

See accompanying notes to financial statements.

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

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

Year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities:		
Annual (deficit) surplus	$ (82)	$ 97
Items not involving cash:		
Amortization of deferred capital contributions	(19,429)	(20,775)
Accretion of asset retirement obligations	-	1
Amortization of tangible capital assets	19,733	20,120
Net book value of disposed tangible capital assets	197	1,766
Retirement allowance expense	2,160	2,457
	2,579	3,666
Net change in non-cash operating items (note 15(a))	(6,737)	(2,183)
Net change in cash from operating activities	(4,158)	1,483
Capital activities:		
Asset retirement costs paid	-	(1,981)
Acquisition of tangible capital assets (note 15(b))	(67,592)	(53,540)
Net change in cash from capital activities	(67,592)	(55,521)
Financing activities:		
Retirement allowance benefits paid	(1,130)	(1,777)
Capital contributions	71,918	56,778
Net change in cash from financing activities	70,788	55,001
(Decrease) increase in cash and cash equivalents	(962)	963
Cash and cash equivalents, beginning of year	1,301	338
Cash and cash equivalents, end of year	$ 339	$ 1,301

Supplementary cash flow information (note 15)

See accompanying notes to financial statements.

The Children's & Women's Health Centre of British Columbia Branch (the "Branch") is a branch society of the Provincial Health Services Authority ("PHSA" or the "Authority"), which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and 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:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Mental Health Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Forensic Psychiatric Services Commission; and

Health Shared Services BC.

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

Effective April 1, 2016, the operations of Health Shared Services BC were transferred to BC Clinical and Support Services Society, a separate legal entity independent of PHSA.

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

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").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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.

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

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- 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 19.

(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) Inventories held for sale:

Inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Net realizable value is the estimated selling price less any costs to sell.

(e) Asset retirement obligations:

The Branch recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Branch reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

1. Significant accounting policies (continued):

(f) Employee benefits:

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

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans 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. 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 (2015 – 10 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.

1. Significant accounting policies (continued):

(g) Non-financial assets:

(i) Tangible capital assets:

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

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

Asset	Basis
Land improvements	20 years
Buildings	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.

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

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.

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(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.

Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

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

(h) 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.

Contributions for the acquisition of land, or contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

1. Significant accounting policies (continued):

(i) 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, amounts to settle asset retirement obligations, contingent liabilities, the future costs to settle employee benefit obligations and certain amounts in public-private partnership projects.

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.

(j) Foreign currency translation:

The Branch's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain and loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the statement of operations.

(k) Financial instruments:

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

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. 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.

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

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. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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.

(l) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Branch.

The asset cost includes development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partner's operating costs, financing costs and a return of their capital.

1. Significant accounting policies (continued):

(m) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Branch's Fiscal 2015/2016 Budget approved by the Board of Directors on April 23, 2015. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

(n) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the 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.

1. Significant accounting policies (continued):

(n) Future accounting standards (continued):

(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.

(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.

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

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;

(Amounts expressed in thousands of dollars)

1. Significant accounting policies (continued):

(n) Future accounting standards (continued):

- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. The Branch adopted the requirements of PS 3430 earlier, in the fiscal year that began on April 1, 2016.

2. Accounts receivable:

	2016	2015
Provincial Health Services Authority	$ 42,497	$ 28,248
Foundations and auxiliaries	13,134	9,224
Medical Services Plan	11,235	12,644
Patients, clients and residents	7,515	5,704
Other health authorities and BC government reporting entities	2,108	1,926
Federal government	1,234	1,117
Ministry of Health	989	2,330
Other grantors	113	79
Other	1,887	1,928
	80,712	63,200
Allowance for doubtful accounts	(6,411)	(5,002)
	$ 74,301	$ 58,198

3. Inventories held for sale:

Inventories held for sale consist of pharmaceutical supplies. During the year, $7,456 (2015 – $7,594) of inventories were sold by the Branch.

(Amounts expressed in thousands of dollars)

4. Accounts payable and accrued liabilities:

	2016	2015
Trade accounts payable and accrued liabilities	$ 33,073	$ 27,241
Salaries and benefits payable	28,199	23,932
Accrued vacation pay	16,835	17,400
	$ 78,107	$ 68,573

5. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry of Children and Family Development in the form of externally restricted operating funding received for the purpose of the Suspected Child Abuse Neglect initiative.

	2016	2015
Deferred operating contributions, beginning of year	$ 215	$ 297
Amounts recognized as revenue in the year	-	(82)
Deferred operating contributions, end of year	$ 215	$ 215

6. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2016	2015
Deferred research and designated contributions, beginning of year	$ 1,105	$ 1,184
Contributions received during the year	1,713	2,005
Amounts recognized as revenue in the year	(2,552)	(2,095)
Amounts to be received in future periods	5	11
Deferred research and designated contributions, end of year	$ 271	$ 1,105

(Amounts expressed in thousands of dollars)

6. Deferred research and designated contributions (continued):

Other contributions		2016		2015
Deferred research and designated contributions, beginning of year	$	3,344	$	4,764
Contributions received during the year		10,900		9,689
Amounts transferred to deferred capital contributions (note 10)		(878)		(901)
Amounts recognized as revenue in the year		(10,502)		(10,287)
Amounts to be received in future periods		113		79
Deferred research and designated contributions, end of year	$	2,977	$	3,344

		2016		2015
Government transfers	$	271	$	1,105
Other contributions		2,977		3,344
Balance, end of year	$	3,248	$	4,449

7. Asset retirement obligations:

		2016		2015
Asset retirement obligations, beginning of year	$	71	$	1,792
Incurred costs		-		(1,981)
Change in estimates		(1)		259
Accretion		-		1
Asset retirement obligations, end of year	$	70	$	71

The Branch has accrued asset retirement obligations representing the estimated cost to settle obligations related to removal of hazardous materials during demolitions of parts of the Children's and Women's Hospital and to settle obligations related to leased premises at future dates. The settlement of these obligations will occur as demolitions occur and hazardous materials are removed, or at the expiry of the leases.

7. Asset retirement obligations (continued):

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $73 (2015 – $74) over the term to expected settlement, at a credit-adjusted risk-free rate of 0.65% (2015 – 0.56%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2015 – 2.00%).

The asset retirement obligations have been capitalized as part of related tangible capital assets.

The Branch has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. The Branch has not recognized asset retirement obligations where there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

8. Debt:

Debt is represented by the P3 arrangement with Affinity Partnerships for the Phase 2 of BC Children's and BC Women's Redevelopment Project. The debt is payable over the term of 30 years to June 2047, in monthly payments of $1,195, including annual interest of 6.61%. Debt payments commence upon completion of Phase 2 Redevelopment in calendar year 2017.

Required principal repayments on P3 debt for years ending March 31 are disclosed in note 13(d).

9. 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, 2016 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2016 are derived. The next expected valuation will be as of December 31, 2018.

(Amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

		2016		2015
Accrued benefit obligation:				
Severance benefits	$	17,184	$	15,099
Sick leave benefits		9,434		8,421
		26,618		23,520
Unamortized actuarial gain		756		2,824
Accrued benefit liability	$	27,374	$	26,344

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

		2016		2015
Accrued benefit liability, beginning of year	$	26,344	$	25,664
Net benefit expense:				
Current service cost		1,521		1,584
Interest expense		947		1,043
Amortization of actuarial gain		(308)		(170)
Net benefit expense		2,160		2,457
Benefits paid		(1,130)		(1,777)
Accrued benefit liability, end of year	$	27,374	$	26,344

(Amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2016	2015
Accrued benefit obligation as at March 31:		
Discount rate	3.93%	3.98%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the 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, 2015 extrapolated to March 31, 2016 indicated a deficit of $1,978 (2015 – surplus of $9,860). Contributions of $11,181 (2015 – $5,600) were expensed during the year. The PHSA plan covers approximately 10,300 active employees, of which approximately 2,400 are employees of the Branch (2015 – 2,400). The next expected valuation will be as of December 31, 2016.

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(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 were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $5,197 were expensed during the year ended March 31, 2015. From January 1, 2015, the Branch no longer participates in this pool. Starting January 1, 2015, the contributions are made to and benefits are provided through the long-term disability and health and welfare benefit plan.

(iii) 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 to provide long-term disability and health and welfare benefits to the employees covered by these agreements. During the 2016/17 fiscal year, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Trust will transition to the joint benefit trusts.

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of $20,709 (2015 – $19,775) 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, 2012 indicated an unfunded liability of $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 184,000 active members, of which approximately 3,200 are employees of the Branch (2015 – 3,100). The actuarial valuation date was as of December 31, 2015, with results available in fall 2016. The next expected valuation will be as of December 31, 2018.

(Amounts expressed in thousands of dollars)

10. Deferred capital contributions:

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

	2016	2015
Deferred capital contributions, beginning of year	$ 356,635	$ 321,566
Capital contributions received:		
Provincial Health Services Authority	49,363	44,206
Foundations and auxiliaries	22,464	11,124
Other	112	1,448
	71,939	56,778
Transfer of tangible capital assets	672	(934)
Amortization for the year	(19,429)	(20,775)
Deferred capital contributions, end of year	$ 409,817	$ 356,635

Deferred capital contributions comprise the following:

	2016	2015
Contributions used to purchase tangible capital assets	$ 402,207	$ 353,350
Unspent contributions	7,610	3,285
	$ 409,817	$ 356,635

11. Tangible capital assets:

Cost	2015	Additions	Disposals	Transfers	2016
Land	$ 106,100	$ -	$ -	$ -	$ 106,100
Land improvements	2,040	-	-	-	2,040
Buildings	424,623	122	-	2,014	426,759
Equipment	143,713	5,065	(4,213)	(278)	144,287
Information systems	18,706	182	(4,928)	1,037	14,997
Leasehold improvements	4,094	-	(2)	-	4,092
Vehicles	3,817	-	(36)	-	3,781
Construction in progress	107,944	139,115	-	(2,479)	244,580
Equipment and information systems in progress	493	565	-	(48)	1,010
Total	$ 811,530	$ 145,049	$ (9,179)	$ 246	$ 947,646

(Amounts expressed in thousands of dollars)

11. Tangible capital assets (continued):

Accumulated amortization	2015	Amortization	Disposals	Transfers	2016
Land improvements	$ 2,001	$ 2	$ -	$ -	$ 2,003
Buildings	150,420	11,906	-	-	162,326
Equipment	115,791	6,646	(4,020)	(426)	117,991
Information systems	18,034	571	(4,924)	-	13,681
Leasehold improvements	3,052	310	-	-	3,362
Vehicles	2,362	298	(36)	-	2,624
Total	$ 291,660	$ 19,733	$ (8,980)	$ (426)	$ 301,987

Cost	2014	Additions	Disposals	Transfers	2015
Land	$ 106,100	$ -	$ -	$ -	$ 106,100
Land improvements	2,040	-	-	-	2,040
Buildings	419,388	16	(21,355)	26,574	424,623
Equipment	139,377	6,533	(3,076)	879	143,713
Information systems	18,556	161	(11)	-	18,706
Leasehold improvements	3,322	260	-	512	4,094
Vehicles	3,817	-	-	-	3,817
Construction in progress	40,682	95,810	-	(28,548)	107,944
Equipment and information systems in progress	238	353	-	(98)	493
Total	$ 733,520	$ 103,133	$ (24,442)	$ (681)	$ 811,530

Accumulated amortization	2014	Amortization	Disposals	Transfers	2015
Land improvements	$ 2,000	$ 1	$ -	$ -	$ 2,001
Buildings	158,498	11,567	(19,634)	(11)	150,420
Equipment	111,640	6,930	(3,032)	253	115,791
Information systems	17,696	348	(10)	-	18,034
Leasehold improvements	2,074	967	-	11	3,052
Vehicles	2,055	307	-	-	2,362
Total	$ 293,963	$ 20,120	$ (22,676)	$ 253	$ 291,660

(Amounts expressed in thousands of dollars)

11. Tangible capital assets (continued):

Net book value		2016		2015
Land	$	106,100	$	106,100
Land improvements		37		39
Buildings		264,433		274,203
Equipment		26,296		27,922
Information systems		1,316		672
Leasehold improvements		730		1,042
Vehicles		1,157		1,455
Construction in progress		244,580		107,944
Equipment and information systems in progress		1,010		493
Total	$	645,659	$	519,870

During the year, $4,782 (2015 – $1,813) of interest on P3 debt has been capitalized to construction in progress.

Contributed tangible capital assets total $21 (2015 – $-).

Tangible capital assets are funded as follows:

		2016		2015
Deferred capital contributions	$	402,207	$	353,350
Debt		126,770		49,334
Internally funded		116,682		117,186
Tangible capital assets	$	645,659	$	519,870

12. Inventories held for use:

		2016		2015
Medical supplies	$	2,169	$	3,095
Pharmaceuticals		1,732		1,980
	$	3,901	$	5,075

13. Commitments and contingencies:

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

As at March 31, 2016, the Branch had outstanding commitments for construction, equipment and information systems in progress of $330,634 (2015 – $435,929).

(Amounts expressed in thousands of dollars)

13. Commitments and contingencies (continued):

(b) Contractual obligations:

The Branch has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts are as follows:

	Contract term	2017	2018	2019	2020
Physician service	2016-2020	$ 11,452	$ 11,510	$ 11,567	$ 11,567
Other	2017-2021	250	-	-	-
		$ 11,702	$ 11,510	$ 11,567	$ 11,567

(c) Operating leases:

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

2017	$ 961
2018	914
2019	737
2020	465
2021	465
Thereafter	551
	$ 4,093

(d) Public-private partnerships commitments:

The Branch entered into a multi-year P3 contract with the private sector partner Affinity Partnerships. Under the agreement, Affinity Partnerships will design, construct, partially finance and maintain the Teck Acute Care Centre until the end of the term of the agreement in June 2047. Payment guarantees have been provided by the Province of BC for the payment obligations to Affinity Partnerships.

The information presented below shows the anticipated cash outflow for future obligations under this contract for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 8. FM and lifecycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation, where applicable.

(Amounts expressed in thousands of dollars)

13. Commitments and contingencies (continued):

(d) Public-private partnerships commitments (continued):

	Capital and financing	FM and lifecycle	Total payments
2017	$ -	$ -	$ -
2018	10,758	6,441	17,199
2019	14,343	8,803	23,146
2020	14,343	9,385	23,728
2021	14,343	9,876	24,219
Thereafter	305,960	462,917	768,877
	$ 359,747	$ 497,422	$ 857,169

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2017	$ -
2018	1,518
2019	2,156
2020	2,270
2021	2,458
Thereafter	118,368
	$ 126,770

(e) 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, 2016, 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.

(Amounts expressed in thousands of dollars)

14. Statement of operations:

(a) Other revenues:

		2016		2015
Recoveries from sales of goods and services	$	12,650	$	10,205
Parking		3,160		2,969
Drug sales		1,094		1,119
Other		403		279
	$	17,307	$	14,572

(b) Patients, clients and residents:

		2016		2015
Non-residents of BC	$	6,922	$	6,161
Non-residents of Canada		3,112		2,891
Preferred accommodation		2,479		2,324
Residents of BC self pay		1,304		364
Federal government		204		192
Other		1,226		1,094
	$	15,247	$	13,026

(c) Other contributions:

		2016		2015
Foundations and auxiliaries	$	9,736	$	10,686
Other ministries		3,094		3,440
Other		226		7
	$	13,056	$	14,133

(Amounts expressed in thousands of dollars)

14. Statement of operations (continued):

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

	2016	2015
Compensation:		
Compensation	$ 308,259	$ 296,137
Employee benefits	50,117	49,094
	358,376	345,231
Referred-out and contracted services:		
Health and support services providers	37,821	18,209
Other health authorities and BC government reporting entities	33,102	22,174
	70,923	40,383
Supplies:		
Drugs and medical gases	17,400	17,513
Medical and surgical	16,815	15,478
Diagnostic	7,727	7,545
Food and dietary	2,857	2,408
Printing, stationery and office	1,319	1,152
Laundry and linen	518	527
Housekeeping	130	177
Other	7,471	7,528
	54,237	52,328
Amortization of tangible capital assets	19,733	20,120
Sundry:		
Professional fees	4,202	2,687
Travel	1,887	1,430
Communication and data processing	454	328
Patient transport	64	111
Other	10,836	7,621
	17,443	12,177
Equipment and building services:		
Equipment	6,345	7,214
Plant operations (utilities)	4,857	4,809
Building and grounds service contracts	2,432	2,274
Rent	856	550
	14,490	14,847
Research and designated expenses	13,054	12,382
Net book value of disposed tangible capital assets	197	1,766
Accretion of asset retirement obligations	-	1
	$ 548,453	$ 499,235

(Amounts expressed in thousands of dollars)

15. Supplementary cash flow information:

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

		2016		2015
Accounts receivable	$	(16,103)	$	420
Inventories held for sale		20		(4)
Accounts payable and accrued liabilities		9,535		270
Deferred operating contributions		-		(82)
Deferred research and designated contributions		(1,201)		(1,499)
Inventories held for use		1,174		(474)
Prepaid expenses		(162)		(814)
	$	(6,737)	$	(2,183)

(b) Acquisition of tangible capital assets:

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

		2016		2015
Tangible capital assets funded through P3 debt	$	77,436	$	49,334
(Reductions in) additions to asset retirement obligations (note 7)		(1)		259
Transfer of tangible capital assets		672		-
Contributed tangible capital assets		21		-
	$	78,128	$	49,593

16. 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.

(Amounts expressed in thousands of dollars)

16. Related entities (continued):

(a) BC government reporting entities (continued):

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

	2016	2015
Revenues:		
Medical Services Plan	$ 89,832	$ 84,485
Recoveries from other health authorities and BC government reporting entities	10,349	9,813
Patients, clients and residents	6,922	6,161
Pharmacare	5,617	5,879
Other contributions	3,094	3,440
Research and designated contributions	1,288	1,205
	$ 117,102	$ 110,983
Expenses:		
Referred-out and contracted services	$ 33,102	$ 22,174
Compensation and benefits	17,841	16,541
Research and designated expenses	5,256	5,083
Sundry	4,511	1,621
Supplies	2,375	3,310
Equipment and building services	139	123
	$ 63,224	$ 48,852
Accounts receivable:		
Medical Services Plan	$ 11,235	$ 12,644
Other health authorities and BC government reporting entities	2,108	1,926
Ministry of Health	989	2,330
	$ 14,332	$ 16,900
Accounts payable and accrued liabilities	$ 4,384	$ 5,045
Deferred operating contributions	215	215
Deferred research and designated contributions	62	70
	$ 4,661	$ 5,330

(Amounts expressed in thousands of dollars)

16. Related entities (continued):

(b) Foundations and auxiliaries:

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

(i) Foundations:

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

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

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

	2016	2015
Operations, net	$ 9,109	$ 23,817
Research	3,577	9,886
Other designated purposes	3,739	23,461
Capital	22,464	2,965
	$ 38,889	$ 60,129

$200,364 (2015 – $184,256) of funds which the Foundations have reflected as donations to the Branch for the year ended March 31, 2016 have not yet transferred to the Branch. These funds are externally restricted, and as the Branch has not yet received the funds or met the external restrictions, they have not been reflected in these financial statements.

(ii) Auxiliaries:

The Auxiliary to British Columbia's Children's Hospital, the British Columbia's Women's Hospital and Health Centre Auxiliary, and the Auxiliary to Sunny Hill Centre for Children (the "Auxiliaries") were established to provide additional comfort and welfare to patients of the Branch. During 2016 and 2015, the Branch did not receive contributions from the Auxiliaries.

16. Related entities (continued):

(b) Foundations and auxiliaries (continued):

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

The Women's Health Research and Policy of C.E.W.H. Society ("WHRS") was incorporated on March 27, 2006 to facilitate and engage in research, evaluation and knowledge exchange for the purpose of improving women's health in BC and Canada. WHRS changed its name to BCCEWHS on March 22, 2010. At March 31, 2016, BCCEWHS has an amount payable to the Branch of $308 (2015 – amount receivable of $3,059).

(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, 2016, revenues include $6,372 (2015 – $6,694) resulting from transactions with other PHSA members.

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

17. Risk management:

The Branch is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the 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.

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 and the investment grade of its portfolio investments.

(Amounts expressed in thousands of dollars)

17. Risk management (continued):

(a) Credit risk (continued):

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, 2016, the amount of allowance for doubtful accounts was $6,411 (2015 – $5,002).

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:

	2016	2015
30 days	$ -	$ 137
60 days	257	39
90 days	133	44
Over 120 days	481	85

(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.

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

2016 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 339	$ -	$ -	$ 339
Accounts receivable	70,264	-	-	70,264
Total financial assets	$ 70,603	$ -	$ -	$ 70,603

(Amounts expressed in thousands of dollars)

17. Risk management (continued):

(b) Liquidity risk (continued):

2016 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 74,070	$ -	$ -	$ 74,070
Debt	-	8,402	118,368	126,770
Total financial liabilities	$ 74,070	$ 8,402	$ 118,368	$ 200,840

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 1,301	$ -	$ -	$ 1,301
Accounts receivable	58,116	82	-	58,198
Total financial assets	$ 59,417	$ 82	$ -	$ 59,499

2015 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 68,240	$ 333	$ -	$ 68,573
Debt	-	5,944	43,390	49,334
Total financial liabilities	$ 68,240	$ 6,277	$ 43,390	$ 117,907

(c) Foreign exchange risk:

The Branch's operating results and financial position are reported in Canadian dollars. As the Branch operates in an international environment, some of the Branch's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Branch's operations are subject to currency transaction and translation risks.

The Branch makes and receives payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2016	2015
US dollar per Canadian dollar	$ 0.770	$ 0.790

(Amounts expressed in thousands of dollars)

17. Risk management (continued):

(c) Foreign exchange risk (continued):

The Branch has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short term in nature and do not give rise to significant foreign currency risk.

The carrying amounts of the Branch's foreign currency denominated financial liabilities and financial assets as at March 31 are as follows:

	2016 US dollar	2015 US dollar
Cash and cash equivalents	$ -	$ 56
Accounts receivable	-	471
Total financial assets	$ -	$ 527

	2016 US dollar	2015 US dollar
Accounts payable and accrued liabilities	$ 363	$ 26

18. Comparative figures:

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

19. 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.

(Amounts expressed in thousands of dollars)

19. 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, 2014	
Increase in accumulated surplus	$ 321,521
Decrease in deferred capital contributions	(321,521)
For the year ended March 31, 2015	
Increase in annual surplus	31,829
As at March 31, 2015	
Increase in accumulated surplus	353,350
Decrease in deferred capital contributions	(353,350)
For the year ended March 31, 2016	
Increase in annual surplus	48,857
As at March 31, 2016	
Increase in accumulated surplus	402,207
Decrease in deferred capital contributions	(402,207)