Financial Statements of

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Year ended March 31, 2018

May 28, 2018

Independent Auditor's Report

To the Board of
British Columbia Mental Health Society Branch

We have audited the accompanying financial statements of British Columbia Mental Health Society Branch, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, changes in net financial assets 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, 2018 and the statements of operations and accumulated surplus, changes in net financial assets 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 13 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 MENTAL HEALTH SOCIETY BRANCH

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

As at March 31, 2018

		2018		2017
Financial assets				
Cash and cash equivalents	$	3	$	3
Accounts receivable (note 2)		32,045		31,493
		32,048		31,496
Liabilities				
Accounts payable and accrued liabilities (note 3)		4,658		4,151
Retirement allowance (note 4(a))		319		268
Deferred capital contributions (note 5)		17,345		3,789
		22,322		8,208
Net financial assets	$	9,726	$	23,288
Non-financial assets				
Tangible capital assets (note 6)	$	17,345	$	3,789
Prepaid expenses		398		392
		17,743		4,181
Accumulated surplus	$	27,469	$	27,469

Commitments and contingencies (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

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

Year ended March 31, 2018

	2018 Budget (note 1(j))	2018	2017
Revenues:			
Provincial Health Services Authority contributions	$ 29,522	$ 34,305	$ 27,866
Medical Services Plan	762	801	715
Other contributions (note 8(a))	361	308	522
Amortization of deferred capital contributions (note 5)	311	278	3
Other (note 8(b))	5	156	59
Patients, clients and residents (note 8(c))	40	71	73
Recoveries from other health authorities and BC government reporting entities	-	20	39
	31,001	35,939	29,277
Expenses (note 8(d)):			
Mental health and substance use	30,201	35,214	28,707
Corporate	800	725	475
	31,001	35,939	29,182
Annual surplus	$ -	$ -	$ 95
Accumulated surplus, beginning of year	27,469	27,469	27,374
Accumulated surplus, end of year	$ 27,469	$ 27,469	$ 27,469

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2018

	2018 Budget (note 1(j))	2018	2017
Annual surplus	$ -	$ -	$ 95
Acquisition of tangible capital assets	(25,368)	(13,834)	(3,418)
Amortization of tangible capital assets	311	278	3
	(25,057)	(13,556)	(3,320)
Acquisition of prepaid expenses	-	(10,637)	(999)
Use of prepaid expenses	-	10,631	1,003
	-	(6)	4
Decrease in net financial assets	(25,057)	(13,562)	(3,316)
Net financial assets, beginning of year	23,288	23,288	26,604
Net financial assets, end of year	$ (1,769)	$ 9,726	$ 23,288

See accompanying notes to financial statements.

BRITISH COLUMBIA MENTAL HEALTH SOCIETY BRANCH

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

Year ended March 31, 2018

	2018	2017
Cash flows from operating activities:		
Annual surplus	$ -	$ 95
Items not involving cash:		
Amortization of deferred capital contributions	(278)	(3)
Amortization of tangible capital assets	278	3
Retirement allowance expense	52	52
	52	147
Net change in non-cash operating items (note 9)	(51)	(147)
Retirement allowance benefits paid	(1)	-
Net change in cash from operating activities	-	-
Capital activities:		
Acquisition of tangible capital assets	(13,834)	(3,418)
Net change in cash from capital activities	(13,834)	(3,418)
Financing activities:		
Capital contributions	13,834	3,418
Net change in cash from financing activities	13,834	3,418
Change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	3	3
Cash and cash equivalents, end of year	$ 3	$ 3

Supplementary cash flow information (note 9)

See accompanying notes to financial statements.

The British Columbia Mental Health 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 Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children’s & Women’s Health Centre of British Columbia Branch;

Correctional Health Services; and

Forensic Psychiatric Services Commission.

Effective April 1, 2018, the Branch, along with the above noted branch societies, amalgamated with PHSA to form one society under the *Society Act of British Columbia*.

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.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities.*

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 13.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand.

(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.

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 lifetime 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 (2017 – 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.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(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.

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

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.

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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) Prepaid expenses:

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

(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.

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, 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.

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. 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.

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.

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 2017/2018 Budget approved by the Board of Directors on October 26, 2017 as part of the Authority’s Service Plan. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

1. Significant accounting policies (continued):

(k) Newly adopted accounting standards:

Effective April 1, 2017, the Branch adopted the following new accounting standards:

(i) 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.

(ii) 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. Requirements of this standard are considered in conjunction with requirements of PS 2200.

(iii) 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.

(iv) 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.

(v) 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.

Except for disclosure changes resulting from the adoption of PS 2200, there was no impact to the financial statements upon transition to the other standards.

(Amounts expressed in thousands of dollars)

2. Accounts receivable:

	2018	2017
Provincial Health Services Authority	$ 31,761	$ 31,149
Federal government	204	21
Other health authorities and BC government reporting entities	41	45
Patients, clients and residents	30	28
Foundations and auxiliaries	-	175
Other	27	75
	32,063	31,493
Allowance for doubtful accounts	(18)	-
	$ 32,045	$ 31,493

3. Accounts payable and accrued liabilities:

	2018	2017
Trade accounts payable and accrued liabilities	$ 3,160	$ 2,781
Salaries and benefits payable	920	811
Accrued vacation pay	578	559
	$ 4,658	$ 4,151

4. 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, 2018 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2018 are derived. The next expected valuation will be as of December 31, 2018.

(Amounts expressed in thousands of dollars)

4. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

		2018		2017
Accrued benefit obligation:				
Severance benefits	$	165	$	143
Sick leave benefits		144		126
		309		269
Unamortized actuarial loss (gain)		10		(1)
Accrued benefit liability	$	319	$	268

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

		2018		2017
Accrued benefit liability, beginning of year	$	268	$	216
Net benefit expense:				
Current service cost		40		41
Interest expense		12		10
Amortization of actuarial loss		-		1
Net benefit expense		52		52
Benefits paid		(1)		-
Accrued benefit liability, end of year	$	319	$	268

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

	2018	2017
Accrued benefit obligation as at March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(Amounts expressed in thousands of dollars)

4. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

(i) Long-term disability and health and welfare 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.

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, 2017 extrapolated to March 31, 2018 indicated a deficit of $2,347 (2017 – deficit of $5,803). Contributions of $512 (2017 – $598) were expensed during the year. The PHSA plan covers approximately 6,300 active employees, of which approximately 80 are employees of the Branch (2017 – 100). The next expected valuation will be as of December 31, 2018.

(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 transitioned to the JBTs. Employer contributions to the JBTs are based on a specified percentage of payroll costs.

During the year ended March 31, 2018, the Branch made the following contributions to each JBT:

		2018
Joint Community Benefits Trust (JCBT)	$	65
Joint Facilities Benefits Trust (JFBT)		8
Joint Health Science Benefits Trust (JHSBT)		120
	$	193

(Amounts expressed in thousands of dollars)

4. Employee benefits (continued):

(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 $1,077 (2017 – $970) 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 193,000 active members, of which approximately 200 are employees of the Branch (2017 – 200). The next expected valuation will be as of December 31, 2018, with results available in 2019.

5. Deferred capital contributions:

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

	2018	2017
Deferred capital contributions, beginning of year	$ 3,789	$ 374
Capital contributions received:		
Provincial Health Services Authority	13,834	3,418
Amortization for the year	(278)	(3)
Deferred capital contributions, end of year	$ 17,345	$ 3,789

The Branch does not have unspent capital contributions.

6. Tangible capital assets:

Cost	2017	Additions	Transfers	2018
Buildings	$ -	$ -	$ 242	$ 242
Equipment	279	15	44	338
Information systems	-	27	221	248
Leasehold improvements	-	-	975	975
Construction in progress	2,901	13,768	(844)	15,825
Equipment in progress	614	24	(638)	-
Total	$ 3,794	$ 13,834	$ -	$ 17,628

(Amounts expressed in thousands of dollars)

6. Tangible capital assets (continued):

Accumulated amortization		2017		Amortization		2018
Equipment	$	5	$	34	$	39
Information systems		-		75		75
Leasehold improvements		-		169		169
Total	$	5	$	278	$	283

Net book value		2018		2017
Buildings	$	242	$	-
Equipment		299		274
Information systems		173		-
Leasehold improvements		806		-
Construction in progress		15,825		2,901
Equipment in progress		-		614
Total	$	17,345	$	3,789

All tangible capital assets of the Branch are funded by the deferred capital contributions.

7. Commitments and contingencies:

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

As at March 31, 2018, the Branch had outstanding commitments for construction, equipment and information systems in progress of $82,138 (2017 – $95,237).

(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:

2019	$	1,209
	$	1,209

(Amounts expressed in thousands of dollars)

7. Commitments and contingencies (continued):

(c) Operating leases:

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

2019	$	198
2020		142
2021		32
2022		3
	$	375

(d) 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, 2018, 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.

8. Statement of operations:

(a) Other contributions:

		2018		2017
Other ministries	$	308	$	297
Foundations		-		225
	$	308	$	522

(b) Other revenues:

Other revenues are recoveries from sales of goods and services.

8. Statement of operations (continued):

(c) Patients, clients and residents:

		2018		2017
Federal government	$	40	$	6
Residents of BC self pay		31		67
	$	71	$	73

(Amounts expressed in thousands of dollars)

8. Statement of operations (continued):

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

	2018	2017
Compensation and benefits:		
Compensation	$ 14,756	$ 13,999
Employee benefits	3,022	2,780
	17,778	16,779
Referred-out and contracted services:		
Health and support services providers	13,935	8,383
Other health authorities and BC government reporting entities	1,109	1,029
	15,044	9,412
Equipment and building services:		
Rent	671	466
Building and grounds service contracts	247	683
Equipment	191	421
	1,109	1,570
Supplies:		
Drugs and medical gases	460	230
Diagnostic	82	65
Medical and surgical	53	27
Food and dietary	52	32
Printing, stationery and office	43	46
Laundry and linen	7	5
Housekeeping	5	4
Other	361	359
	1,063	768
Sundry:		
Professional fees	365	253
Travel	33	53
Communication and data processing	28	22
Patient transport	18	22
Other	223	300
	667	650
Amortization of tangible capital assets	278	3
	$ 35,939	$ 29,182

(Amounts expressed in thousands of dollars)

9. Supplementary cash flow information:

Net change in non-cash operating items:

		2018		2017
Accounts receivable	$	(552)	$	(1,488)
Accounts payable and accrued liabilities		507		1,337
Prepaid expenses		(6)		4
	$	(51)	$	(147)

10. Related parties and other agencies:

(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.

Referred out and contracted services expenses, as outlined in note 8(d) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair value.

The health authorities, hospital societies and BC Clinical Support Services Society provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the statement of operations and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the financial statements approximate fair value.

On March 27, 2017, the Branch, through PHSA, entered into a Temporary Occupation Agreement with the Provincial Rental Housing Corporation to lease the Riverview lands in order to start construction of the new mental health and substance use treatment centre to be located on the site. The term of the lease is from March 31, 2017 to December 31, 2018, and the total lease payment for this period is $1 dollar.

(b) Foundations and auxiliaries:

The Branch has economic relationships with the British Columbia Mental Health Foundation (the “Foundation”) which is responsible for fundraising activities for the Branch. The Foundation is a separate legal entity incorporated under the *Society Act of British Columbia*. During the year, the Branch received $175 (2017 – $50) of contributions from the Foundation.

10. Related parties and other agencies (continued):

(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, 2018, expenses include $1,490 (2017 – $1,697) resulting from transactions with other PHSA members.

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

11. 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.

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 collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

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. No accounts receivable from other parties were past due as at March 31, 2018.

(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.

(Amounts expressed in thousands of dollars)

11. Risk management (continued):

(b) Liquidity risk (continued):

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 and liabilities of the Branch have maturities within one year.

12. Comparative figures:

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

13. 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.

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

As at March 31, 2017		
Increase in accumulated surplus	$	3,789
Decrease in deferred capital contributions		(3,789)
For the year ended March 31, 2018		
Increase in annual surplus		13,556
As at March 31, 2018		
Increase in accumulated surplus		17,345
Decrease in deferred capital contributions		(17,345)

14. 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, 2018 received an aggregate of $1,500 from the Branch during that period.

(c) Financial assistance:

The Branch did not provide any financial assistance outside the ordinary course of activities during the year ended March 31, 2018.