

Financial Statements of

**BRITISH COLUMBIA TRANSPLANT
SOCIETY BRANCH**

Year ended March 31, 2016



June 29, 2016

Independent Auditor's Report

To the Board of British Columbia Transplant Society Branch

We have audited the accompanying financial statements of British Columbia Transplant Society Branch, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated deficit, 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**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 deficit, 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 15 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Statement of Financial Position

(Amounts expressed in thousands of dollars)

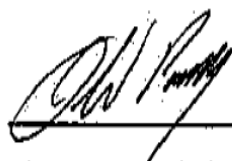
As at March 31, 2016

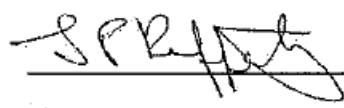
	2016	2015
Financial assets		
Cash and cash equivalents	\$ 45	\$ 14
Accounts receivable (note 2)	3,973	1,732
	4,018	1,746
Liabilities		
Accounts payable and accrued liabilities (note 3)	8,474	5,551
Deferred research and designated contributions (note 4)	12	66
Asset retirement obligations (note 5)	114	116
Retirement allowance (note 6(a))	408	376
Deferred capital contributions (note 7)	84	120
	9,092	6,229
Net debt	\$ (5,074)	\$ (4,483)
Non-financial assets		
Tangible capital assets (note 8)	\$ 85	\$ 123
Prepaid expenses	74	87
	159	210
Accumulated deficit	\$ (4,915)	\$ (4,273)

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chair of the Board

Director

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

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

Year ended March 31, 2016

	2016 Budget (note 1(k))	2016	2015
Revenues:			
Provincial Health Services			
Authority contributions	\$ 49,089	\$ 50,798	\$ 53,044
Medical Services Plan	5,694	7,025	6,320
Other (note 10(a))	-	180	10
Research and designated contributions (note 4)	-	50	115
Amortization of deferred capital contributions (note 7)	27	36	10
Other contributions	-	-	9
Recoveries from other health authorities and BC government reporting entities	1	-	-
	54,811	58,089	59,508
Expenses (note 10(b)):			
Acute	54,811	58,731	60,096
	54,811	58,731	60,096
Annual deficit	\$ -	\$ (642)	\$ (588)
Accumulated deficit, beginning of year	(4,273)	(4,273)	(3,685)
Accumulated deficit, end of year	\$ (4,273)	\$ (4,915)	\$ (4,273)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

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

Year ended March 31, 2016

	2016 Budget (note 1(k))	2016	2015
Annual deficit	\$ -	\$ (642)	\$ (588)
Acquisition of tangible capital assets	-	-	(111)
Asset retirement obligations	-	2	(2)
Amortization of tangible capital assets	27	36	10
	27	(604)	(691)
Acquisition of prepaid expenses	-	(648)	(706)
Use of prepaid expenses	-	661	673
	-	13	(33)
Decrease (increase) in net debt	27	(591)	(724)
Net debt, beginning of year	(4,483)	(4,483)	(3,759)
Net debt, end of year	\$ (4,456)	\$ (5,074)	\$ (4,483)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY 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	\$ (642)	\$ (588)
Items not involving cash:		
Amortization of deferred capital contributions	(36)	(10)
Accretion of asset retirement obligations	-	2
Amortization of tangible capital assets	36	10
Retirement allowance expense	33	37
	(609)	(549)
Net change in non-cash operating items (note 11(a))	641	495
Net change in cash from operating activities	32	(54)
Capital activities:		
Acquisition of tangible capital assets (note 11(b))	-	(111)
Net change in cash from capital activities	-	(111)
Financing activities:		
Retirement allowance benefits paid	(1)	(2)
Capital contributions	-	110
Net change in cash from financing activities	(1)	108
Increase (decrease) in cash and cash equivalents	31	(57)
Cash and cash equivalents, beginning of year	14	71
Cash and cash equivalents, end of year	\$ 45	\$ 14

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

The British Columbia Transplant Society 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;
Cardiac Services British Columbia;
Children’s & Women’s Health Centre of British Columbia Branch;
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 was formed for the purpose of planning, coordinating, managing, and publicizing the human organ donor activities in BC. The Branch also acts as the custodian of funds received from various private agencies for research and other related projects.

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 British Columbia 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”).

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

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 15.

The Branch has collaborative relationships with certain foundations, which support the activities of the Branch and/or provide services under contracts. As the Branch does not control these organizations, the financial statements do not include the assets, liabilities, and results of operations of these entities (see note 12(b)).

(b) Cash and cash equivalents:

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

(c) Accounts receivable:

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

(d) 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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) 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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(f) 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
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years

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

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

(ii) Prepaid expenses:

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

(g) 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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

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).

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.

(h) 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 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.

(i) 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.

(j) Financial instruments:

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

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

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(j) 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.

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.

(k) 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 deficit and the statement of changes in net debt.

(l) 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;

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

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

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(l) Future accounting standards (continued):

(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;
- 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
Medical Services Plan	\$ 577	\$ 1,688
Federal government	19	20
Patients, clients and residents	18	-
Other health authorities and BC government reporting entities	-	23
Other	3,359	1
	<u>\$ 3,973</u>	<u>\$ 1,732</u>

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

3. Accounts payable and accrued liabilities:

	2016	2015
Provincial Health Services Authority	\$ 4,022	\$ 737
Trade accounts payable and accrued liabilities	3,328	3,975
Salaries and benefits payable	947	627
Accrued vacation pay	177	212
	<u>\$ 8,474</u>	<u>\$ 5,551</u>

4. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund clinical trials and other activities. Contributions are received from various non-government grantors, such as pharmaceutical companies and other donors, for various projects in the fields of clinical trials, health promotion, and other special purpose initiatives.

	2016	2015
Deferred research and designated contributions, beginning of year	\$ 66	\$ 248
Transferred to deferred capital contributions (note 7)	-	(67)
Amounts recognized in revenue from operations	(4)	-
Amounts recognized as revenue in the year	(50)	(115)
Deferred research and designated contributions, end of year	<u>\$ 12</u>	<u>\$ 66</u>

5. Asset retirement obligations:

	2016	2015
Asset retirement obligations, beginning of year	\$ 116	\$ 112
Change in estimates	(2)	2
Accretion	-	2
Asset retirement obligations, end of year	<u>\$ 114</u>	<u>\$ 116</u>

The Branch has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

5. 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 \$116 (2015 – \$118) 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 asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed.

6. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Branch's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2015 and extrapolated to March 31, 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.

Information about retirement allowance benefits is as follows:

	2016	2015
Accrued benefit obligation:		
Severance benefits	\$ 269	\$ 295
Sick leave benefits	48	39
	317	334
Unamortized actuarial gain	91	42
Accrued benefit liability	\$ 408	\$ 376

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

6. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2016	2015
Accrued benefit liability, beginning of year	\$ 376	\$ 341
Net benefit expense:		
Current service cost	24	25
Interest expense	14	14
Amortization of actuarial gain	(5)	(2)
Net benefit expense	33	37
Benefits paid	(1)	(2)
Accrued benefit liability, end of year	\$ 408	\$ 376

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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

6. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(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 \$153 (2015 – \$72) were expensed during the year. The PHSA plan covers approximately 10,300 active employees, of which approximately 30 are employees of the Branch (2015 – 40). The next expected valuation will be as of December 31, 2016.

(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 \$87 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*.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

6. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Municipal Pension Plan of \$249 (2015 – \$248) 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 approximately \$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 40 are employees of the Branch (2015 – 40). 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.

7. 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	\$ 120	\$ 20
Capital contributions received:		
Provincial Health Services Authority	-	45
Other	-	65
	-	110
Amortization for the year	(36)	(10)
Deferred capital contributions, end of year	\$ 84	\$ 120

The Branch does not have unspent capital contributions.

8. Tangible capital assets:

Cost	2015	Disposals	2016
Equipment	\$ 181	\$ -	\$ 181
Information systems	67	-	67
Leasehold improvements	536	(2)	534
Total	\$ 784	\$ (2)	\$ 782

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

8. Tangible capital assets (continued):

Accumulated amortization	2015	Amortization	2016
Equipment	\$ 125	\$ 13	\$ 138
Information systems	2	23	25
Leasehold improvements	534	-	534
Total	\$ 661	\$ 36	\$ 697

Cost	2014	Additions	Disposals	Transfers	2015
Equipment	\$ 289	\$ 44	\$ (152)	\$ -	\$ 181
Information systems	-	-	-	67	67
Leasehold improvements	678	2	(144)	-	536
Equipment and information systems in progress	-	67	-	(67)	-
Total	\$ 967	\$ 113	\$ (296)	\$ -	\$ 784

Accumulated amortization	2014	Amortization	Disposals	2015
Equipment	\$ 269	\$ 8	\$ (152)	\$ 125
Information systems	-	2	-	2
Leasehold improvements	678	-	(144)	534
Total	\$ 947	\$ 10	\$ (296)	\$ 661

Net book value	2016	2015
Equipment	\$ 43	\$ 56
Information systems	42	65
Leasehold improvements	-	2
Total	\$ 85	\$ 123

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

8. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2016	2015
Deferred capital contributions	\$ 84	\$ 120
Internally funded	1	3
Tangible capital assets	\$ 85	\$ 123

9. Commitments and contingencies:

(a) Operating leases:

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

2017	\$ 356
2018	364
2019	310
	\$ 1,030

(b) Litigation and claims:

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

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

10. Statement of operations:

(a) Other revenues:

	2016	2015
Recoveries from sales of goods and services	\$ 153	\$ 1
Other	27	9
	\$ 180	\$ 10

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

10. Statement of operations (continued):

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

	2016	2015
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	\$ 34,407	\$ 32,472
Health and support services providers	7,349	12,249
	41,756	44,721
Compensation:		
Compensation	12,024	11,434
Employee benefits	753	737
	12,777	12,171
Supplies:		
Medical and surgical	1,251	718
Drugs and medical gases	450	199
Printing, stationery and office	172	155
Other	6	6
	1,879	1,078
Sundry:		
Travel	901	956
Communication and data processing	31	43
Patient transport	13	46
Professional fees	12	6
Other	360	356
	1,317	1,407
Equipment and building services:		
Rent	528	518
Equipment	387	72
Building and grounds service contracts	1	2
	916	592
Research and designated expenses	50	115
Amortization of tangible capital assets	36	10
Accretion of asset retirement obligations	-	2
	\$ 58,731	\$ 60,096

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

11. Supplementary cash flow information:

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

	2016	2015
Accounts receivable	\$ (2,241)	\$ 224
Accounts payable and accrued liabilities	2,923	486
Deferred research and designated contributions	(54)	(182)
Prepaid expenses	13	(33)
	\$ 641	\$ 495

(b) Acquisition of tangible capital assets:

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

	2016	2015
Additions to (reductions in) asset retirement obligations (note 5)	\$ (2)	\$ 2

12. 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.

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

	2016	2015
Revenues:		
Medical Services Plan	\$ 7,025	\$ 6,320
	\$ 7,025	\$ 6,320

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

12. Related entities (continued):

(a) BC government reporting entities (continued):

	2016	2015
Expenses:		
Referred-out and contracted services	\$ 34,407	\$ 32,472
Compensation and benefits	182	406
Equipment and building services	11	11
Research and designated expenses	6	-
Sundry	4	1
Supplies	2	3
	\$ 34,612	\$ 32,893
Accounts receivable:		
Medical Services Plan	\$ 577	\$ 1,688
Other health authorities and BC government reporting entities	-	23
	\$ 577	\$ 1,711
Accounts payable and accrued liabilities	\$ 2,281	\$ 2,319

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

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

During 2016 and 2015, the Branch did not receive contributions from the Foundation.

- (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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

12. Related entities (continued):

(c) Related party transactions with PHSA and members (continued):

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

For the year ended March 31, 2016, expenses include \$1,102 (2015 – \$1,326) resulting from transactions with other PHSA members.

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

13. 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.

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.

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, 2016.

(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.

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

13. 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.

(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 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

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 as at March 31 are as follows:

		2016 US dollar		2015 US dollar
Accounts payable and accrued liabilities	\$	150	\$	1,060

14. Comparative figures:

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

BRITISH COLUMBIA TRANSPLANT SOCIETY BRANCH

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2016

15. 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, 2014		
Decrease in accumulated deficit	\$	20
Decrease in deferred capital contributions		(20)
For the year ended March 31, 2015		
Decrease in annual deficit		100
As at March 31, 2015		
Decrease in accumulated deficit		120
Decrease in deferred capital contributions		(120)
For the year ended March 31, 2016		
Increase in annual deficit		(36)
As at March 31, 2016		
Decrease in accumulated deficit		84
Decrease in deferred capital contributions		(84)
