

Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2007

Vancouver Island Health Authority Management Report

The consolidated financial statements of the Vancouver Island Health Authority (the "Authority") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 11, 2007. The consolidated financial statements have also been reviewed by the Finance and Audit Committee.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function periodically evaluates internal controls and reports its findings to management and the Finance and Audit Committee.

The financial statements have been examined by KPMG LLP, the Authority's independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly presents the Authority's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. Their Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors, and management to satisfy itself that each group has properly discharged its responsibilities with respect to the annual financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



President and Chief Executive Officer



Vice President and Chief Financial Officer

Victoria, BC
May 11, 2007



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AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF VANCOUVER ISLAND HEALTH AUTHORITY

We have audited the consolidated balance sheet of the Vancouver Island Health Authority as at March 31, 2007 and the consolidated statements of operations, changes in net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font.

Chartered Accountants

Victoria, Canada

May 11, 2007

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Balance Sheet
(Amounts expressed in thousands of dollars)

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 24,598	\$ 13,961
Marketable securities	31,911	25,040
Accounts receivable (note 3)	38,645	104,957
Inventories of materials and supplies	12,552	11,351
Prepaid expenses	8,099	10,443
	<u>115,805</u>	<u>165,752</u>
Long-term investments (note 2)	67,505	66,000
Capital assets (note 4)	611,956	603,488
	<u>\$ 795,266</u>	<u>\$ 835,240</u>

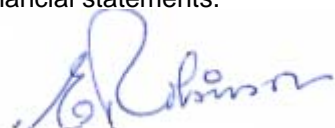
Liabilities and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 114,963	\$ 160,718
Deferred operating revenue (note 6)	8,214	7,519
Current portion of accrued sick and severance	6,950	5,832
Current portion of accrued long-term disability	9,908	7,051
Current portion of long-term debt	4,725	5,004
Current portion of capital leases	28	48
	<u>144,788</u>	<u>186,172</u>
Accrued sick and severance (note 8(a))	66,763	64,883
Accrued long-term disability (note 8(b))	24,162	35,674
Long-term debt (note 9)	10,763	11,154
Capital leases (note 10)	3	31
Deferred capital contributions (note 11)	622,788	612,979
	<u>869,267</u>	<u>910,893</u>
Net assets (deficiency):		
Investment in capital assets (note 12)	26,177	28,129
Externally restricted	4,962	4,823
Internally restricted	6,345	4,778
Unrestricted	(111,485)	(113,383)
	<u>(74,001)</u>	<u>(75,653)</u>
Contingencies and commitments (note 15)		
	<u>\$ 795,266</u>	<u>\$ 835,240</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director

 Director

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Statement of Operations
(Amounts expressed in thousands of dollars)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Ministry of Health	\$ 1,144,093	\$ 1,055,256
Other funding contributions (Schedule 1)	120,145	177,457
Patient and client revenue (Schedule 1)	99,232	95,661
Other revenue (Schedule 1)	46,398	48,013
Investment income	4,512	4,376
Amortization of deferred capital contributions	60,231	63,305
	<u>1,474,611</u>	<u>1,444,068</u>
Expenditures:		
Staff remuneration	875,184	861,162
Referred out and contracted services	305,841	298,506
Supplies	146,058	142,706
Equipment and building services	55,781	47,215
Sundry	26,312	26,663
Interest on long-term debt and obligations under capital leases	916	949
Depreciation of capital assets	62,867	65,532
	<u>1,472,959</u>	<u>1,442,733</u>
Excess of revenue over expenditures	<u>\$ 1,652</u>	<u>\$ 1,335</u>

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007, with comparative figures for 2006

	Investment in capital assets (note 12)	Externally restricted	Internally restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	\$ 28,129	\$ 4,823	\$ 4,778	\$(113,383)	\$(75,653)	\$(77,241)
Excess (deficiency) of revenue over expenditures	(2,670)	139	1,567	2,616	1,652	1,335
Repayment of long-term debt and capital leases	718	-	-	(718)	-	-
Contribution of land	-	-	-	-	-	253
Balance, end of year	\$ 26,177	\$ 4,962	\$ 6,345	\$(111,485)	\$(74,001)	\$(75,653)

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 1,652	\$ 1,335
Items not involving cash:		
Depreciation of capital assets	62,867	65,532
Amortization of deferred capital contributions	(60,231)	(63,305)
Net change in non-cash operating working capital (note 7(a))	16,738	(60,353)
	<u>21,026</u>	<u>(56,791)</u>
Investing:		
Capital asset purchases and construction:		
Land improvements	(1,171)	(703)
Buildings	(32,340)	(35,883)
Equipment	(43,000)	(54,744)
Construction in progress	5,176	9,997
	<u>(71,335)</u>	<u>(81,333)</u>
Increase in long-term investments (note 2)	(1,505)	(66,000)
	<u>(72,840)</u>	<u>(147,333)</u>
Financing:		
Capital funding received	70,040	90,217
Repayment of long-term debt	(670)	(746)
Repayment of obligations under capital leases	(48)	(44)
	<u>69,322</u>	<u>89,427</u>
Increase (decrease) in cash	17,508	(114,697)
Cash and cash equivalents, beginning of year	39,001	153,698
Cash and cash equivalents, end of year	<u>\$ 56,509</u>	<u>\$ 39,001</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 24,598	\$ 13,961
Marketable securities	31,911	25,040
	<u>\$ 56,509</u>	<u>\$ 39,001</u>

See accompanying notes to consolidated financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

The Vancouver Island Health Authority (the "Authority") was formed in December 2001 pursuant to a Ministerial Order under the Health Authorities Act and provides a full range of health services to over 700,000 residents of Vancouver Island, the Gulf Islands and Discovery Islands and to the residents of the mainland located adjacent to the Mount Waddington and Campbell River areas.

The Authority employs over 16,000 people and provides an extensive range of services including: emergency services, inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, specialized childrens' services and programs, community, home care and home support services (contracted through affiliated agencies), environmental and public health including promotion and protection, and communicable disease control, testing and research.

1. Significant accounting policies:

The consolidated financial statements include the operations of the Vancouver Island Health Authority, the Cumberland Regional Hospital Laundry Society and the OBL Continuing Care Society. All significant balances and transactions between the entities have been eliminated.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Marketable securities:

Marketable securities representing bonds, treasury bills and other short-term financial instruments are recorded at the lower of cost and market value.

(b) Inventories:

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

(c) Long-term investments:

Long-term investments include bonds and bankers acceptances and are recorded at cost. Where the market value of long-term investments becomes lower than cost and this decline in value is considered to be other than temporary, the long-term investments are written down to market value.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are depreciated on a straight-line basis using the following annual rates:

Land improvements	2% - 20%
Buildings	2% - 10%
Equipment	5% - 33%

Depreciation is not provided on projects in progress until the assets are in use.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

1. Significant accounting policies (continued):

(e) Revenue recognition:

The Authority follows the deferral method of accounting for contributions which include donations and government grants. Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of British Columbia in accordance with the budget arrangements established and approved by the Ministry of Health (the "Ministry") and the Authority. Approved operating grants are provided to the Authority by the Ministry and are recorded as revenue in the period to which they relate.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognized in that subsequent period. These consolidated financial statements reflect agreed arrangements approved by the Ministry and the Authority's Board with respect to the year ended March 31, 2007.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related assets are depreciated.

(f) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee sick and severance benefits and multiple-employer defined benefit 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). For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains and losses that exceed 10% of the benefit obligation are amortized over the average remaining service period of active covered employees.

The average remaining service period of the active covered employees entitled to sick and severance benefits is 10 years (2006 - 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2006 - 10 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Defined contribution plan accounting is applied to multiemployer defined benefit plans and, accordingly, contributions are expensed.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

1. Significant accounting policies (continued):

(g) Asset retirement obligations:

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived assets and depreciated over the life of the asset. At this time, the Authority has determined that there are no significant asset retirement obligations.

(h) Referred out and contracted services:

Referred out and contracted services are payments to affiliate organizations, other long-term care facilities, home support and other agencies.

(i) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty in determining fair value, contributed services are not recognized in the consolidated financial statements.

(j) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives for depreciation and the estimation of amounts which may become payable to retiring employees. Actual results could differ from those estimates.

(k) Charitable registration:

The Authority is a registered charity under the Income Tax Act and is exempt from income taxes.

2. Change in accounting policy:

During the year the Authority changed its accounting policy with respect to investments and identified certain investments as long-term. This change was made to segregate investments required for short-term needs and working capital management from those required for longer-term needs and managed relative to these different needs. This change has been applied retroactively and results in \$67.5 million (2006 - \$66 million) being classified as long-term investments rather than marketable securities.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

3. Accounts receivable:

	2007	2006
Medical Services Plan - sessional	\$ 9,518	\$ 9,504
Patient and third party	8,301	8,003
Regional Hospital Districts	4,260	4,434
Ministry of Health	3,072	4,707
Medical Services Plan - fee for service	2,717	2,933
Hospital Foundations	2,469	4,078
Ministry of Finance	-	60,883
Other	8,308	10,415
	\$ 38,645	\$ 104,957

4. Capital assets:

	2007		2006	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 18,173	\$ -	\$ 18,173	\$ 18,173
Land improvements	11,871	6,212	5,659	5,062
Buildings	670,077	269,624	400,453	389,112
Equipment	518,182	392,623	125,559	123,773
Equipment under capital lease	346	276	70	152
Construction in progress	62,042	-	62,042	67,216
	\$ 1,280,691	\$ 668,735	\$ 611,956	\$ 603,488

Additional commitments at March 31:

Asset purchases	\$ -	\$ 191
Construction projects in progress	8,326	15,711
	\$ 8,326	\$ 15,902

5. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable and accrued liabilities	\$ 58,408	\$ 51,282
Accrued vacation and overtime pay	35,970	32,783
Accrued salaries and benefits	20,585	76,653
	\$ 114,963	\$ 160,718

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

6. Deferred operating revenue:

Deferred operating revenue consists of funds received for a specific restricted purpose which are unspent at the end of the fiscal year.

7. Supplemental cash flow information:

(a) Net change in non-cash operating working capital:

	2007	2006
Accounts receivable	\$ 66,312	\$ (50,554)
Inventories of materials and supplies	(1,201)	1,811
Prepaid expenses	2,344	(1,611)
Accounts payable and accrued liabilities	(45,755)	36,326
Deferred operating revenue	695	(41,960)
Accrued sick and severance liability	2,998	2,545
Accrued long-term disability liability	(8,655)	(3,288)
	<u>\$ 16,738</u>	<u>\$ (60,353)</u>

(b) Cash paid for interest on long-term debt \$ 914 \$ 928

8. Employee benefits:

(a) Employee sick and severance benefits:

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

The Authority's liabilities are based on an independent actuarial valuation as at December 31, 2006. The next required valuation will be as of December 31, 2009.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

8. Employee benefits (continued):

(a) Employee sick and severance benefits (continued):

Information about employee sick and severance benefits is as follows:

	2007	2006
Accrued benefit obligation:		
Sick leave benefits	\$ 28,047	\$ 29,491
Severance benefits	43,975	42,197
Total unfunded obligation	72,022	71,688
Balance of unamortized amounts	1,691	(973)
Accrued sick and severance liabilities	73,713	70,715
Less current portion	6,950	5,832
	\$ 66,763	\$ 64,883
Sick and severance plan expense	\$ 8,416	\$ 8,208
Benefits paid	5,380	5,439

The significant actuarial assumptions adopted in measuring the Authority's accrued sick and severance liabilities are as follows:

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.00%	5.00%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.00%	5.50%
Rate of compensation increase	3.25%	3.25%

(b) Employee healthcare benefits:

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

8. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

The Authority's liabilities are based on an actuarial valuation using an early measurement date of December 31, 2006. The next required valuation will be as of December 31, 2007.

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

	2007	2006
Accrued benefit obligation	\$ 95,720	\$ 86,707
Fair value of plan assets	31,511	19,274
Net unfunded obligation	64,209	67,433
Balance of unamortized amounts	(24,758)	(19,476)
Contributions to the plan during January to March 2007	(5,381)	(5,232)
Accrued long-term disability liabilities	34,070	42,725
Less current portion	9,908	7,051
	\$ 24,162	\$ 35,674
Long-term disability plan expense	\$ 18,626	\$ 17,273
Benefits paid	15,447	17,659

Plan assets consist of:

	2007	2006
Debt securities	54%	51%
Equity securities	20%	23%
Other	26%	26%
	100%	100%

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

8. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

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

	2007	2006
Accrued benefit obligation as at March 31:		
Discount rate	5.0%	5.0%
Rate of benefit increase	2.5%	2.5%
Benefit cost for years ended March 31:		
Discount rate	5.0%	6.0%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of benefit increase	2.5%	2.5%

The group life insurance, accidental death and dismemberment, extended health, dental and pre-October 1, 1997 long-term disability claims administered by the Trust are structured as a multiemployer plan. Contributions to the Trust of \$27.0 million (2006 - \$19.4 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2006 indicated a surplus of \$25.6 million (2006 \$4.8 million). The plan covers approximately 74,700 active employees of which approximately 9,000 are employees of the Authority. The next required valuation will be as of December 31, 2007.

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

(c) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multiemployer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$41.2 million (2006 - \$34.7 million) were expensed during the year. Every three years a 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, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 140,000 active employees of which approximately 11,300 are employees of the Authority. The next required evaluation will be as of December 31, 2006 with results available in 2007.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

8. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$1.7 million (2006 - \$1.4 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2005 indicated an unfunded liability of \$767 million for basic pension benefits. The actuary does not attribute portions of the deficit to individual employers. The plan covers approximately 50,000 active employees of which approximately 320 are employees of the Authority. The next required valuation will be as of March 31, 2008.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

9. Long term debt:

	2007	2006
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 7,646	\$ 7,844
Royal Bank loan, interest at 4.55% per annum, due November 10, 2009, repayable at \$30,783 per month, including interest.	3,506	3,668
CMHC mortgage, interest at 5.9% per annum, due on demand, repayable at \$20,647 per month, including interest. Secured by land and buildings with a net book value of \$374,482.	1,756	1,897
CMHC mortgage, interest at 6.08% per annum, due on demand, repayable at \$14,911 per month, including interest. Secured by land and buildings with a net book value of \$406,844.	1,367	1,461
CMHC mortgage, interest at 4.97% per annum, due on demand, repayable at \$7,729 per month, including interest. Secured by buildings with a net book value of \$2,311,481.	717	773
CMHC mortgage, interest at 5.43% per annum, due on demand, repayable at \$3,042 per month, including interest. Secured by buildings with a net book value of \$450,476.	454	466
Royal Bank loan, interest at prime, due April 30, 2009, repayable at \$785 per month, including interest. Secured by land and buildings with a net book value of \$100,412.	42	49
	15,488	16,158
Less current portion	4,725	5,004
	\$ 10,763	\$ 11,154

Scheduled principal payments and maturities over the next five years:

2008	\$ 4,725
2009	454
2010	3,314
2011	260
2012	6,735

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

10. Capital leases:

Minimum capital lease payments for:

Year ending March 31, 2008	\$	32
2009		3
Total future minimum lease payments		35
Less amount representing interest, at a rate of 11.52%		4
Present value of capital lease payments		31
Less current portion		28
	\$	3

11. Deferred capital contributions:

	2007	2006
Balance, beginning of year	\$ 612,979	\$ 586,067
Capital funding receipts:		
Ministry of Health	51,597	58,096
Regional Hospital Districts	13,619	14,770
Foundations (note 14)	3,375	11,525
Other	1,449	5,826
	683,019	676,284
Less amortization for the year	(60,231)	(63,305)
Balance, end of year	\$ 622,788	\$ 612,979

The balance of deferred capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital contributions used to purchase capital assets	\$ 571,803	\$ 560,736
Unspent contributions	50,985	52,243
Balance, end of year	\$ 622,788	\$ 612,979

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

12. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	\$ 611,956	\$ 603,488
Amounts financed by:		
Unamortized capital contributions	(571,803)	(560,736)
Long-term debt	(13,945)	(14,544)
Capital leases	(31)	(79)
	\$ 26,177	\$ 28,129

13. Financial instruments:

The Authority's financial instruments include marketable securities, accounts receivable, long-term investments, accounts payable and accrued liabilities, accrued sick and severance, accrued long-term disability, long-term debt and obligations under capital lease. It is management's opinion that the Authority is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying values, except for the fair value of accrued sick and severance and long-term disability liabilities which is disclosed in notes 8(a) and (b).

14. Related party transactions:

The Authority is supported by a number of foundations incorporated under the Society Act (British Columbia) and registered as charities under the Income Tax Act. The purpose of these foundations is to raise funds in the community for the purpose of furthering the interests and objectives of the facilities which they support. Although there is no common control of the organizations through Board appointments or other forms of control, these foundations are related to the Authority by virtue of holding resources which are to be used to produce revenue or provide services for the Authority.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

14. Related party transactions (continued):

The hospital foundations provided the following capital funding to the Authority during the year:

	2007	2006
Victoria Hospitals Foundation	\$ 1,001	\$ 5,745
Nanaimo and District General Hospital Foundation	762	2,119
Cowichan District Hospital Foundation	610	77
Saanich Peninsula Hospital Foundation	399	1,452
Campbell River Hospital and Yucaita Lodge Foundation	248	277
Queen Alexandra Foundation for Children	166	120
Greater Victoria Eldercare Foundation	73	1,194
Lady Minto Hospital Foundation	72	361
West Coast General Hospital Foundation	32	155
Tofino Hospital Foundation	12	4
Chemainus Health Care Foundation	-	21
	\$ 3,375	\$ 11,525

The capital funding amounts from the various foundations represent funding receipts upon completion of certain capital purchases within the year. Fluctuations in funding amounts are attributed to the timing and nature of capital purchases. They do not necessarily represent annual funding commitments provided by the foundations. At March 31, 2007 the hospital foundations have committed to provide additional capital funding to the Authority of \$4.8 million in future years.

15. Contingencies and commitments:

(a) Operating leases:

The following future minimum lease payments under operating leases are due for the years ending March 31:

2008	\$ 11,836
2009	8,127
2010	5,792
2011	3,055
2012 and thereafter	1,487
	\$ 30,297

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2007

15. Contingencies and commitments (continued):

(b) Litigation:

The nature of the Authority's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2007, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

(c) Asset retirement obligations:

The Authority has identified that certain buildings owned by the Authority contain asbestos. The Authority has not accrued asset retirement obligations for related future removal costs as the fair value of the retirement obligations cannot be reasonably estimated due to indeterminate settlement dates for the renovation or demolition of the buildings. The obligations will be recorded when the amounts and timing of the costs are determinable.

VANCOUVER ISLAND HEALTH AUTHORITY

Revenue
(Amounts expressed in thousands of dollars)

Schedule 1

Year ended March 31, 2007 with comparative figures for 2006

	2007	2006
Other funding contributions:		
Contributions from the Province of B.C.:		
Contract signing bonuses and incentive payments	\$ -	\$ 60,883
Tertiary care funded by PHSA	49,681	50,440
Sessional recoveries	28,975	26,650
Medical on call program	20,295	19,802
Other	13,469	13,575
Physician recruitment and retention program	2,472	2,351
	114,892	173,701
Funding contributions from other sources	5,253	3,756
	\$ 120,145	\$ 177,457
Patient and client revenue:		
Medical Services Plan	\$ 48,736	\$ 48,077
Insured residents - self pay	29,689	28,277
Non-residents of B.C.	6,276	6,482
Workers' Compensation Board	5,148	4,773
Non-residents of Canada	4,989	4,744
Federal Government	3,037	2,606
Other	1,357	702
	\$ 99,232	\$ 95,661
Other revenue:		
Services and other external recoveries	\$ 25,106	\$ 22,668
Staff remuneration recoveries	9,706	12,124
Ancillary operations	3,623	3,475
Other	2,454	4,983
Hospice	2,646	2,387
Room differential	1,238	1,371
Fees and licenses	1,625	1,005
	\$ 46,398	\$ 48,013