

Audited Consolidated Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2005



KPMG LLP
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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, 2005 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, 2005 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, flowing style.

Chartered Accountants

Victoria, Canada

May 13, 2005

VANCOUVER ISLAND HEALTH AUTHORITY

Consolidated Balance Sheet

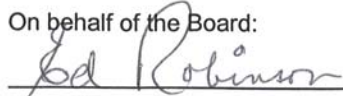

(Amounts expressed in thousands of dollars)

March 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 37,792	\$ 995
Short-term investments (note 2)	122,959	110,861
Accounts receivable (note 3)	54,403	45,228
Inventories of materials and supplies	9,540	9,192
Prepaid expenses	8,832	6,441
	<u>233,526</u>	<u>172,717</u>
Capital assets (note 4)	587,434	555,354
	<u>\$ 820,960</u>	<u>\$ 728,071</u>
Liabilities and Net Assets (Deficiency)		
Current liabilities:		
Cheques issued in excess of funds on hand	\$ 7,053	\$ 11,347
Accounts payable and accrued liabilities (note 5)	124,392	113,219
Deferred operating revenue (note 6)	49,479	5,888
Current portion of accrued sick and severance	5,800	7,043
Current portion of accrued long-term disability	5,707	3,061
Current portion of long-term debt	2,599	6,475
Current portion of capital leases	44	45
	<u>195,074</u>	<u>147,078</u>
Accrued sick and severance (note 8 (a))	62,370	59,059
Accrued long-term disability (note 8 (b))	40,306	41,262
Long-term debt (note 9)	14,305	10,941
Capital leases (note 10)	79	134
Deferred capital contributions (note 11)	586,067	556,936
	<u>898,201</u>	<u>815,410</u>
Net assets (deficiency):		
Investment in capital assets (note 12)	27,798	25,465
Externally restricted	5,534	5,174
Internally restricted	3,809	2,716
Unrestricted	(114,382)	(120,694)
	<u>(77,241)</u>	<u>(87,339)</u>
Contingencies and commitments (note 15)		
	<u>\$ 820,960</u>	<u>\$ 728,071</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, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Ministry of Health Services	\$ 1,010,206	\$ 998,879
Other funding contributions (Schedule 1)	108,359	94,620
Patient and client revenue (Schedule 1)	89,910	88,100
Other revenue (Schedule 1)	40,938	39,201
Investment income	4,678	4,815
Amortization of deferred capital contributions	48,278	48,574
	<u>1,302,369</u>	<u>1,274,189</u>
Expenditures:		
Staff remuneration	793,219	802,064
Referred out and contracted services	254,950	247,306
Supplies	128,775	118,751
Equipment and building services	45,283	30,091
Sundry	21,657	22,712
Interest on long-term debt and obligations under capital leases	1,157	1,221
Depreciation of buildings and equipment	52,716	51,506
	<u>1,297,757</u>	<u>1,273,651</u>
Excess of revenue over expenditures before other items	4,612	538
Long-term disability	-	(7,804)
Loss on transfer of property	-	(2,800)
Excess (deficiency) of revenue over expenditures	<u>\$ 4,612</u>	<u>\$ (10,066)</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, 2005, with comparative figures for 2004

	Investment in capital assets (note 10)	Externally restricted	Internally restricted	Unrestricted	2005 Total	2004 Total
Balance, beginning of year	\$ 25,465	\$ 5,174	\$ 2,716	\$(120,694)	\$(87,339)	\$(77,273)
Excess (deficiency) of revenue over expenditures	(3,721)	360	1,093	6,880	4,612	(10,066)
Repayment of long-term debt and capital leases	568	-	-	(568)	-	-
Contribution of land	5,486	-	-	-	5,486	-
Balance, end of year	\$ 27,798	\$ 5,534	\$ 3,809	\$(114,382)	\$(77,241)	\$(87,339)

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, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ 4,612	\$ (10,066)
Items not involving cash:		
Depreciation of buildings and equipment	52,716	51,506
Amortization of deferred capital contributions	(48,278)	(48,574)
Loss (gain) on disposal of capital assets	(100)	3,039
Net change in non-cash operating working capital (note 7)	46,608	(28,031)
	<u>55,558</u>	<u>(32,126)</u>
Investing:		
Capital asset purchases and construction:		
Land	-	(96)
Land improvements	(322)	(106)
Buildings	(7,618)	(18,472)
Equipment	(42,602)	(40,578)
Construction in progress	(24,746)	(6,670)
	<u>(75,288)</u>	<u>(65,922)</u>
Proceeds from disposal of capital assets	270	66
	<u>(75,018)</u>	<u>(65,856)</u>
Financing:		
Capital funding received	73,217	65,317
Repayment of long-term debt	(512)	(519)
Repayment of obligations under capital leases	(56)	(41)
	<u>72,649</u>	<u>64,757</u>
Increase (decrease) in cash	53,189	(33,225)
Cash and cash equivalents, beginning of year	100,509	133,734
Cash and cash equivalents, end of year	<u>\$ 153,698</u>	<u>\$ 100,509</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 37,792	\$ 995
Short-term investments	122,959	110,861
Cheques issued in excess of funds on hand	(7,053)	(11,347)
	<u>\$ 153,698</u>	<u>\$ 100,509</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, 2005

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: 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 (the "Society").

The Society was incorporated under the Society Act (British Columbia) on February 20, 2004 and commenced operations on April 1, 2004. The Society is controlled by the Authority, as the Authority has the right to appoint the Board of Directors. On March 31, 2004 the Oak Bay Lodge Society entered into a Distribution Agreement with the Authority and the Society. The Agreement transferred as of April 1, 2004 the assets and liabilities of the Oak Bay Lodge Society to the Society with the exception of the land and building which transferred to the Authority.

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

(a) Short-term investments:

Short-term investments 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) 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, 2005

1. Significant accounting policies (continued):

(d) 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 Services (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, 2005.

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.

(e) 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 (2004 – 10 years). The average remaining service period of the active employees covered by the multiple-employer defined benefit plans is 10 years (2004 – 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, 2005

1. Significant accounting policies (continued):

(f) Asset retirement obligations:

Effective April 1, 2004, the Authority adopted Section 3110 of the CICA Handbook, "Asset Retirement Obligations". This section requires that the fair value of a liability for an asset retirement obligation be 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 with respect to its assets.

(g) 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.

(h) 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.

(i) 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.

(j) Charitable registration:

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

2. Short-term investments:

Short-term investments consist of marketable securities with a market value of \$123.2 million (2004 - \$113.5 million).

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

3. Accounts receivable:

	2005	2004
Ministry of Health Services	\$ 10,720	\$ 10,860
Medical Services Plan - sessional	9,382	9,099
Patient and third party	8,030	5,460
Regional Hospital Districts	5,692	3,882
Medical Services Plan - fee for service	3,462	3,750
Hospital Foundations	6,160	492
Other	10,957	11,685
	\$ 54,403	\$ 45,228

4. Capital assets:

	2005		2004	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 17,920	\$ -	\$ 17,920	\$ 12,434
Land improvements	9,997	5,136	4,861	5,011
Buildings	601,855	228,310	373,545	378,661
Equipment	434,176	320,481	113,695	104,870
Equipment under capital lease	416	217	199	173
Construction in progress	77,214	-	77,214	54,205
	\$ 1,141,578	\$ 554,144	\$ 587,434	\$ 555,354
Additional commitments at March 31:				
Asset purchases			\$ 1,250	\$ 1,600
Construction projects in progress			10,074	13,168
			\$ 11,324	\$ 14,768

5. Accounts payable and accrued liabilities:

	2005	2004
Accrued salaries and benefits	\$ 34,465	\$ 35,476
Accrued vacation and overtime pay	33,346	35,326
Accounts payable and accrued liabilities	56,581	42,417
	\$ 124,392	\$ 113,219

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

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. The balance at March 31, 2005 includes \$39.2 million received from the Ministry of Health Services as a funding advance of the Operating Allocation for the next fiscal year.

7. Supplemental cash flow information:

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

	2005	2004
Accounts receivable	\$ (9,175)	\$ (19,459)
Inventories of materials and supplies	(348)	(111)
Prepaid expenses	(2,391)	(1,603)
Accounts payable and accrued liabilities	11,173	(8,637)
Deferred operating revenue	43,591	(6,870)
Accrued sick and severance liability	2,068	845
Accrued long-term disability liability	1,690	7,804
	\$ 46,608	\$ (28,031)
(b) Cash paid for interest on long-term debt	\$ 1,184	\$ 1,219

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, 2003 updated to March 31, 2005. The next required valuation will be as of December 31, 2006.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

8. Employee benefits (continued):

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

Information about employee sick and severance benefits is as follows:

	2005	2004
Accrued benefit obligation:		
Sick leave benefits	\$ 27,307	\$ 25,572
Severance benefits	39,875	38,537
Total unfunded obligation	\$ 67,182	\$ 64,109
Accrued sick and severance liabilities	\$ 68,170	\$ 66,102
Sick and severance plan expense	\$ 7,953	\$ 7,929
Benefits paid	5,848	7,084

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

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	5.50%	5.75%
Rate of compensation increase	3.25%	3.25%
Benefit costs for years ended March 31:		
Discount rate	5.75%	6.25%
Rate of compensation increase	3.25%	5.20%

(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.

Effective March 31, 2004, the Trust was restructured from a multiemployer to 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, 2005

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, 2004. The next required valuation will be as of December 31, 2005.

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

	2005	2004
Accrued benefit obligation	\$ 77,439	\$ 63,813
Fair value of plan assets	19,837	19,490
Net unfunded obligation	57,602	44,323
Balance of unamortized amounts	(8,719)	-
Contributions receivable	(2,870)	-
Accrued long-term disability liabilities	\$ 46,013	\$ 44,323
Long-term disability plan expense	\$ 17,044	\$ -*
Benefits paid	\$ 3,437	\$ -*

* comparative figures are not available because the long-term disability benefit plan was a multiemployer plan throughout 2004.

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

	2005	2004
Accrued benefit obligation as at March 31:		
Discount rate	6.0%	7.5%
Rate of benefit increase	1.5%	1.5%
Benefit cost for years ended March 31:		
Discount rate	7.5%	7.5%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of benefit increase	1.5%	1.5%

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

8. Employee benefits (continued):

(b) Employee healthcare benefits (continued):

The group life insurance, accidental death and dismemberment, pre-October 1, 1997 long-term disability claims administered by the Trust continue to be structured as a multiemployer plan. Contributions to the Trust of \$18.3 million were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2004 indicated a deficit of \$6.4 million. The plan covers approximately 76,100 active employees of which approximately 8,600 are employees of the Authority. The next required valuation will be as of December 31, 2005.

While the Trust has been restructured, 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 \$30.8 million (2004 - \$31.9 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2003 indicated an unfunded liability of \$789 million. The plan covers approximately 128,000 active employees of which approximately 11,900 are employees of the Authority. The next valuation will be as of December 31, 2006.

Employer contributions to the Public Service Pension Plan of \$1.6 million (2004 - \$1.4 million) were expensed during the year. The most recent actuarial valuation for the plan at March 31, 2002 indicated a surplus of \$546 million. The plan covers approximately 51,000 active employees of which approximately 400 are employees of the Authority. The next required valuation will be as of March 31, 2005.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

9. Long term debt:

	2005	2004
Royal Bank loan, interest at 6.05% per annum, due November 20, 2011, repayable at \$55,507 per month, including interest.	\$ 8,031	\$ 8,203
CMHC mortgage, interest at 5.9% per annum, due August 1, 2006, repayable at \$20,647 per month, including interest. Secured by land and buildings with a net book value of \$516,216.	2,030	2,155
Royal Bank loan, interest at 4.55% per annum, due November 10, 2009, repayable at \$30,783 per month, including interest.	3,935	3,998
CMHC mortgage, interest at 6.08% per annum, due May 1, 2005, repayable at \$14,911 per month, including interest. Secured by land and buildings with a net book value of \$514,184.	1,549	1,632
CMHC mortgage, interest at 5.43% per annum, due May 1, 2005, repayable at \$3,042 per month, including interest. Secured by buildings with a net book value of \$470,943.	477	488
CMHC mortgage, interest at 4.97% per annum, due December 1, 2006, repayable at \$7,729 per month, including interest. Secured by buildings with a net book value of \$2,629,152.	826	877
Royal Bank loan, interest at prime, due July 1, 2014, repayable at \$785 per month, including interest. Secured by land and buildings with a net book value of \$112,225.	56	63
	16,904	17,416
Less current portion	2,599	6,475
	\$ 14,305	\$ 10,941

Principal payments due over the next five years:

2006	\$ 2,599
2007	611
2008	644
2009	661
2010	236

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

10. Capital leases:

Minimum capital lease payments for:

Year ending March 31, 2006	\$	53
2007		53
2008		29
2009		3
Total future minimum lease payments		138
Less: amount representing interest, at a rate of 9.05%		15
Present value of capital lease payments		123
Less: current portion		44
	\$	79

11. Deferred capital contributions:

	2005	2004
Balance, beginning of year	\$ 556,936	\$ 540,193
Capital funding receipts:		
Ministry of Health Services	45,401	39,174
Regional Hospital Districts	16,808	14,071
Foundations	9,388	8,345
Other	1,620	3,727
	630,153	605,510
Less amortization for the year	(48,278)	(48,574)
Add contribution of building	4,192	-
Balance, end of year	\$ 586,067	\$ 556,936

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

	2005	2004
Unamortized capital contributions used to purchase capital assets	\$ 544,340	\$ 514,053
Unspent contributions	41,727	42,883
Balance, end of year	\$ 586,067	\$ 556,936

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

12. Investment in capital assets:

Investment in capital assets is calculated as follows:

	2005	2004
Capital assets	\$ 587,434	\$ 555,354
Amounts financed by:		
Unamortized capital contributions	(544,340)	(514,053)
Capital leases	(123)	(179)
Long-term debt	(15,173)	(15,657)
	\$ 27,798	\$ 25,465

13. Financial instruments:

The Authority's financial instruments include accounts receivable, 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.

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

Nanaimo and District General Hospital Foundation	\$	3,887
Greater Victoria Hospital Foundation		3,126
Lady Minto Hospital Foundation		738
Saanich Peninsula Hospital Foundation		519
Cowichan District Hospital Foundation		392
West Coast General Hospital Foundation		254
Campbell River Hospital and Yucalta Lodge Foundation		196
Greater Victoria Eldercare Foundation		158
Queen Alexandra Foundation for Children		118
	\$	9,388

In addition, the hospital foundations have committed to provide capital funding to the Authority of \$6.9 million in future years.

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2005

15. Contingencies and commitments:

(a) Operating leases:

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

2006	\$	6,580
2007		4,785
2008		3,497
2009		2,492
2010 and thereafter		1,695
	\$	19,049

(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, 2005, 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Revenue
(Amounts expressed in thousands of dollars)

Schedule 1

Year ended March 31, 2005 with comparative figures for 2004

	2005	2004
Other funding contributions:		
Contributions from the Province of B.C.:		
Tertiary care funded by PHSA	\$ 44,750	\$ 42,867
Sessional recoveries	25,863	17,401
Medical on call program	19,169	19,121
Other	11,654	10,501
Physician recruitment and retention program	2,675	2,041
	104,111	91,931
Funding contributions from other sources	4,248	2,689
	\$ 108,359	\$ 94,620
Patient and client revenue:		
Medical Services Plan	\$ 44,259	\$ 49,607
Insured residents - self pay	27,193	23,068
Non-residents of B.C.	6,275	4,879
Workers' Compensation Board	4,833	3,926
Non-residents of Canada	4,563	3,541
Federal Government	2,332	1,950
Other	455	1,129
	\$ 89,910	\$ 88,100
Other revenue:		
Services and other external recoveries	\$ 19,145	\$ 19,610
Staff remuneration recoveries	10,965	9,134
Ancillary operations	3,389	2,981
Other	2,850	3,179
Hospice	2,092	2,075
Room differential	1,356	1,572
Fees and licenses	1,141	650
	\$ 40,938	\$ 39,201