

Financial Statements of

**FORENSIC PSYCHIATRIC  
SERVICES COMMISSION**

Year ended March 31, 2019



## *Independent auditor's report*

To the Board of Commissioners of Forensic Psychiatric Services Commission and the Minister of Health,  
Province of British Columbia

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### *Our opinion*

In our opinion, the accompanying financial statements of Forensic Psychiatric Services Commission (the Commission) as at March 31, 2019 and for the year then ended 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.

#### **What we have audited**

The Commission's financial statements comprise:

- the statement of financial position as at March 31, 2019;
  - the statement of operations and accumulated surplus for the year then ended;
  - the statement of changes in net debt for the year then ended;
  - the statement of cash flows for the year then ended;
  - the notes to the financial statements, which include a summary of significant accounting policies.
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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Emphasis of matter - basis of accounting*

We draw attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 13 to the financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
May 30, 2019

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

As at March 31, 2019

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 406	\$ 324
Accounts receivable (note 3)	23,809	23,170
	24,215	23,494
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	9,608	9,121
Deferred research and designated contributions	45	50
Retirement allowance (note 5(a))	6,412	6,155
Deferred capital contributions (note 6)	12,020	10,616
	28,085	25,942
<b>Net debt</b>	<b>\$ (3,870)</b>	<b>\$ (2,448)</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 7)	\$ 12,091	\$ 10,686
Inventories held for use	39	43
Prepaid expenses	509	488
	12,639	11,217
<b>Accumulated surplus</b>	<b>\$ 8,769</b>	<b>\$ 8,769</b>

Commitments and contingencies (note 8)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

  
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# FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

Year ended March 31, 2019

	2019 Budget (note 1(k))	2019	2018
<b>Revenues:</b>			
Provincial Health Services			
Authority contributions	\$ 59,677	\$ 63,566	\$ 60,239
Medical Services Plan	8,298	8,254	7,918
Amortization of deferred capital contributions (note 6)	1,453	1,230	998
Other (note 9(a))	109	1,020	586
Recoveries from other health authorities and BC government reporting entities	520	523	492
Research and designated contributions	-	5	-
Other contributions	193	-	-
	<u>70,250</u>	<u>74,598</u>	<u>70,233</u>
<b>Expenses (note 9(b)):</b>			
Mental health and substance use	69,021	73,554	69,529
Corporate	1,229	1,044	704
	<u>70,250</u>	<u>74,598</u>	<u>70,233</u>
Annual surplus	\$ -	\$ -	\$ -
Accumulated surplus, beginning of year	8,769	8,769	8,769
Accumulated surplus, end of year	\$ 8,769	\$ 8,769	\$ 8,769

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

Year ended March 31, 2019

	2019 Budget (note 1(k))	2019	2018
Annual surplus	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	(1,357)	(2,635)	(2,572)
Amortization of tangible capital assets	1,463	1,230	998
	106	(1,405)	(1,574)
Acquisition of inventories held for use	-	(230)	(197)
Acquisition of prepaid expenses	-	(5,804)	(5,680)
Consumption of inventories held for use	-	234	201
Use of prepaid expenses	-	5,783	5,655
	-	(17)	(21)
Increase (decrease) in net financial assets	106	(1,422)	(1,595)
Net debt, beginning of year	(2,448)	(2,448)	(853)
Net debt, end of year	\$ (2,342)	\$ (3,870)	\$ (2,448)

See accompanying notes to financial statements.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

## Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

	2019	2018
Cash flows from (used in) operating activities:		
Annual surplus	\$ -	\$ -
Items not involving cash:		
Amortization of deferred capital contributions	(1,230)	(998)
Amortization of tangible capital assets	1,230	998
Retirement allowance expense	576	561
	576	561
Net change in non-cash operating items (note 10)	(174)	11
Retirement allowance benefits paid	(319)	(479)
Net change in cash from operating activities	83	93
Capital activities:		
Acquisition of tangible capital assets	(2,635)	(2,572)
Net change in cash used in capital activities	(2,635)	(2,572)
Financing activities:		
Capital contributions	2,634	2,573
Net change in cash from financing activities	2,634	2,573
Increase in cash and cash equivalents	82	94
Cash and cash equivalents, beginning of year	324	230
Cash and cash equivalents, end of year	\$ 406	\$ 324

Supplementary cash flow information (note 10)

See accompanying notes to financial statements.



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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The Forensic Psychiatric Services Commission (the “Commission”) was established as a Crown corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health (the “Ministry”) on April 1, 1999.

The Commission is a member 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. PHSA is one of six health authorities in British Columbia (“BC”). The Commission is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Commission is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

## 1. Significant accounting policies:

### (a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the “framework”).

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

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.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (a) Basis of accounting (continued):

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 Commission.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 13.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (b) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand.

### (c) Accounts receivable:

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

### (d) Asset retirement obligations:

The Commission 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 Commission 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.

### (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 (2018 – 11 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (e) Employee benefits (continued):

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

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 Commission to pay benefits occurs.

### (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:

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Asset	Basis
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

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Assets under construction or development are not amortized until the asset is available for productive use.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (f) Non-financial assets (continued):

#### (i) Tangible capital assets (continued):

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission'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) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

#### (iii) 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 Commission is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (g) Revenue recognition (continued):

Volunteers contribute a significant amount of their time each year to assist the Commission in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

### (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 Commission's functional currency is the Canadian dollar. The Commission does not have significant transactions denominated in foreign currencies.

### (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.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 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 Commission'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 Commission's Fiscal 2018/2019 Budget approved by the Board of Directors on June 28, 2018. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

## 2. Cash and cash equivalents:

	2019	2018
Cash and cash equivalents	\$ 48	\$ 59
Restricted cash	358	265
	<u>\$ 406</u>	<u>\$ 324</u>

Restricted cash is related to patient trust accounts.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

## 3. Accounts receivable:

	2019	2018
Provincial Health Services Authority	\$ 23,515	\$ 22,976
Patients, clients and agencies	86	23
Federal government	66	63
Other health authorities and BC government reporting entities	34	41
Medical Services Plan	26	24
Other	178	139
	23,905	23,266
Allowance for doubtful accounts	(96)	(96)
	\$ 23,809	\$ 23,170

## 4. Accounts payable and accrued liabilities:

	2019	2018
Salaries and benefits payable	\$ 3,888	\$ 2,953
Accrued vacation pay	2,758	2,653
Trade accounts payable and accrued liabilities	2,604	3,250
Patient trust funds	358	265
	\$ 9,608	\$ 9,121

## 5. 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 Commission's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2018 and extrapolated to March 31, 2019 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2019 are derived. The next expected valuation will be as of December 31, 2021.



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

## 5. Employee benefits (continued):

### (a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2019		2018
Accrued benefit obligation:			
Severance benefits	\$ 3,337	\$	3,495
Sick leave benefits	2,326		2,673
	5,663		6,168
Unamortized actuarial gain/ (loss)	749		(13)
Accrued benefit liability	\$ 6,412	\$	6,155

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

	2019		2018
Accrued benefit liability, beginning of year	\$ 6,155	\$	6,073
Net benefit expense:			
Current service cost	321		318
Interest expense	247		236
Amortization of actuarial loss	8		7
Net benefit expense	576		561
Benefits paid	(319)		(479)
Accrued benefit liability, end of year	\$ 6,412	\$	6,155

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

	2019	2018
Accrued benefit obligation as at March 31:		
Discount rate	4.01%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 5. Employee benefits (continued):

### (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 Commission and other provincially funded organizations.

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual program and services of PHSA. Accordingly, the Commission 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, 2018 extrapolated to March 31, 2019 indicated a deficit of \$10,349 (2018 – deficit of \$2,347). Contributions of \$1,276 (2018 – \$1,365) were expensed during the year. The PHSA plan covers approximately 7,100 active employees, of which approximately 200 are employees of the Commission (2018 – 200). The next expected valuation will be as of December 31, 2019.

### (c) Joint Benefit Trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2019, the Commission made contributions to these joint benefit trusts totaling \$1,154 (2018- \$992).

### (d) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$1,223 (2018 – \$942) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2015 indicated a funding surplus of approximately \$2,224,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 197,000 active members, of which approximately 260 are employees of the Commission (2018 – 210). The next expected valuation will be as of December 31, 2018, with results available in 2019.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 5. Employee benefits (continued):

(d) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$2,024 (2018 – \$2,294) 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, 2017 indicated a funding surplus of approximately \$1,896,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 62,000 active members, of which approximately 330 are employees of the Commission (2018 – 370). The next actuarial valuation will be as of March 31, 2020, with results available in 2021.

## 6. Deferred capital contributions:

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

	2019	2018
Deferred capital contributions, beginning of year	\$ 10,616	\$ 9,041
Capital contributions received:		
Provincial Health Services Authority	2,634	2,573
Amortization for the year	(1,230)	(998)
Deferred capital contributions, end of year	\$ 12,020	\$ 10,616

The Commission does not have unspent capital contributions.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

## 7. Tangible capital assets:

Cost	2018	Additions	Disposals	Transfers	2019
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	1,128	300	-	1,875	3,303
Equipment	13,390	7	-	-	13,397
Information systems	744	-	-	-	744
Leasehold improvements	3,910	-	-	-	3,910
Vehicles	676	-	-	-	676
Construction in progress	884	2,328	-	(1,875)	1,337
<b>Total</b>	<b>\$ 20,775</b>	<b>\$ 2,635</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,410</b>

Accumulated amortization	2018	Amortization	Disposals	2019
Land improvements	\$ 43	\$ -	\$ -	\$ 43
Buildings	727	210	-	937
Equipment	5,280	984	-	6,264
Information systems	740	3	-	743
Leasehold improvements	2,623	33	-	2,656
Vehicles	676	-	-	676
<b>Total</b>	<b>\$ 10,089</b>	<b>\$ 1,230</b>	<b>\$ -</b>	<b>\$ 11,319</b>

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

## 7. Tangible capital assets (continued):

Cost	2017	Additions	Disposals	Transfers	2018
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	1,128	-	-	-	1,128
Equipment	11,534	91	-	1,765	13,390
Information systems	744	-	-	-	744
Leasehold improvements	3,910	-	-	-	3,910
Vehicles	701	-	(25)	-	676
Construction in progress	168	2,481	-	(1,765)	884
<b>Total</b>	<b>\$ 18,228</b>	<b>\$ 2,572</b>	<b>\$ (25)</b>	<b>\$ -</b>	<b>\$ 20,775</b>

Accumulated amortization	2017	Amortization	Disposals	2018
Land improvements	\$ 43	\$ -	\$ -	\$ 43
Buildings	645	82	-	727
Equipment	4,400	880	-	5,280
Information systems	737	3	-	740
Leasehold improvements	2,590	33	-	2,623
Vehicles	701	-	(25)	676
<b>Total</b>	<b>\$ 9,116</b>	<b>\$ 998</b>	<b>\$ (25)</b>	<b>\$ 10,089</b>

Net book value	2019	2018
Buildings	\$ 2,366	\$ 401
Equipment	7,133	8,110
Information systems	1	4
Leasehold improvements	1,254	1,287
Construction in progress	1,337	884
<b>Total</b>	<b>\$ 12,091</b>	<b>\$ 10,686</b>

Tangible capital assets are funded as follows:

	2019	2018
Deferred capital contributions	\$ 12,020	\$ 10,616
Internally funded	71	70
<b>Tangible capital assets</b>	<b>\$ 12,091</b>	<b>\$ 10,686</b>

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 8. Commitments and contingencies:

### (a) Operating leases:

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

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2020	\$	748
2021		636
2022		484
2023		294
2024		127
Thereafter		-
	\$	2,289

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### (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 Commission's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2019, management is of the opinion that the Commission 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 Commission'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.

## 9. Statement of operations:

### (a) Other revenues:

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	2019	2018
Recoveries from sales of goods and services	\$ 955	\$ 585
Other	65	1
	\$ 1,020	\$ 586

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# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

## 9. Statement of operations (continued):

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

	2019	2018
Compensation:		
Compensation	\$ 46,352	\$ 43,626
Employee benefits	9,859	8,746
	56,211	52,372
Referred-out and contracted services:		
Health and support services providers	5,166	5,009
Other health authorities and BC government reporting entities	2,124	2,121
	7,290	7,130
Equipment and building services:		
Rent	6,042	6,073
Equipment	336	587
Building and grounds service contracts	280	126
Plant operations (utilities)	26	27
	6,684	6,813
Sundry:		
Professional fees	695	476
Travel	278	227
Communication and data processing	85	80
Patient transport	16	14
Other	305	144
	1,379	941
Supplies:		
Food and dietary	663	707
Drugs and medical gases	492	674
Medical and surgical	184	203
Printing, stationery and office	143	110
Laundry and linen	97	48
Housekeeping	18	24
Diagnostic	14	8
Other	188	205
	1,799	1,979
Amortization of tangible capital assets	1,230	998
Research and designated expenses	5	-
	\$ 74,598	\$ 70,233

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 10. Supplementary cash flow information:

Net change in non-cash operating items:

	2019	2018
Accounts receivable	\$ (639)	\$ (1,673)
Accounts payable and accrued liabilities	487	1,655
Deferred research and designated contributions	(5)	50
Inventories held for use	4	4
Prepaid expenses	(21)	(25)
	\$ (174)	\$ 11

## 11. Related parties:

(a) BC government reporting entities:

The Commission is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Referred out and contracted services expenses, as outlined in note 9(b) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair value.

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

(b) Related party transactions with PHSA:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.



# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 12. Risk management:

The Commission is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Commission's financial instruments is provided below by type of risk.

### (a) Credit risk:

Credit risk primarily arises from the Commission'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 Commission manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Commission 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 Commission periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

The Commission 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. As at March 31, 2019, the amount of allowance for doubtful accounts was \$96 (2018 - \$96).

### (b) Liquidity risk:

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due. It is the Commission's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Commission's principal source of funding is from the Ministry through PHSA. The Commission 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 Commission has complied with the external restrictions on the funding provided.

All financial assets and liabilities of the Commission have maturities within one year.

# FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2019

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## 13. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Commission 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 Commission is as follows:

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As at March 31, 2017		
Increase in accumulated surplus	\$	9,041
Decrease in deferred capital contributions		(9,041)
For the year ended March 31, 2018		
Increase in annual surplus		1,575
As at March 31, 2018		
Decrease in accumulated surplus		10,616
Increase in deferred capital contributions		(10,616)
For the year ended March 31, 2019		
Increase in annual surplus		1,404
As at March 31, 2019		
Decrease in accumulated surplus		12,020
Increase in deferred capital contributions		(12,020)

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