

Financial Statements of

**FORENSIC PSYCHIATRIC
SERVICES COMMISSION**

Year ended March 31, 2024

Statement of Management Responsibility

The financial statements of the Forensic Psychiatric Services Commission (the “Commission”) were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these financial statements, and include amounts based upon management’s best estimates and judgments. The accounting principles of the financial reporting framework were consistently applied. In management’s opinion, the 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 June 6, 2024.

Management is responsible for the integrity of the financial statements and has established systems of internal control 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.

The Board of Directors provides oversight in the fulfillment by management of these responsibilities. The Board of Directors, comprising directors who are not employees, meets with management, internal assurance staff and external auditors with regard to the proper discharge of management’s responsibilities with respect to financial statement presentation, disclosure and recommendations on internal control.

The internal assurance function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been examined by the Auditor General of British Columbia, the Commission’s independent external auditors. The external auditors conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their Auditor’s Report, which follows, outlines the scope of their examination and their opinion.



Dr. David Byres
President and Chief Executive Officer



Michael Lord
Vice President, Finance and
Chief Financial Officer



Independent Auditor's Report

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

Qualified Opinion

I have audited the accompanying financial statements of the Forensic Psychiatric Services Commission (“the entity”), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2024, and the results of its operations, change in its net debt, and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 1(a) to the financial statements, the entity’s accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity’s method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity’s method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had the entity made an adjustment for this departure in the current year, the liability for deferred capital contributions as at March 31, 2024 would have been lower by \$16 million, revenue, annual surplus and accumulated surplus would have been higher by \$16 million and net debt would have been lower by \$16 million.

Forensic Psychiatric Services Commission

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's 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 my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

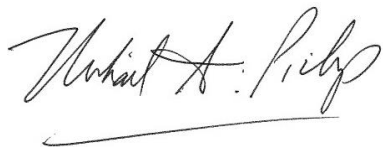
Independent Auditor's Report

Forensic Psychiatric Services Commission

- 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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Michael A. Pickup FCPA, FCA
Auditor General of British Columbia

Victoria, British Columbia, Canada
June 13, 2024

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

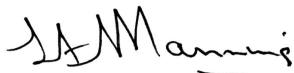
As at March 31, 2024

	2024	2023
Financial assets		
Cash and cash equivalents (note 2)	\$ 4,507	\$ 2,933
Accounts receivable (note 3)	35,687	28,565
	40,194	31,498
Liabilities		
Accounts payable and accrued liabilities (note 4)	17,723	16,370
Deferred research and designated contributions	44	7
Retirement allowance (note 5(a))	7,196	6,929
Deferred capital contributions (note 6)	23,345	14,574
Asset retirement obligation (note 7)	149	-
	48,457	37,880
Net debt	\$ (8,263)	\$ (6,382)
Non-financial assets		
Tangible capital assets (note 8)	\$ 16,213	\$ 14,574
Inventories held for use	262	98
Prepaid expenses	670	592
	17,145	15,264
Accumulated surplus	\$ 8,882	\$ 8,882

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Commission:





FORENSIC PSYCHIATRIC SERVICES COMMISSION

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

Year ended March 31, 2024

	2024 Budget (note 1(k))	2024	2023
Revenues:			
Provincial Health Services			
Authority contributions	\$ 91,681	\$ 105,309	\$ 83,908
Medical Services Plan	9,980	9,422	8,261
Amortization of deferred capital contributions (note 6)	2,525	2,444	2,139
Other (note 10(a))	302	875	799
Recoveries from other health authorities and BC government reporting entities	520	556	550
	<u>105,008</u>	<u>118,606</u>	<u>95,657</u>
Expenses (note 10(b)):			
Corporate	1,939	7,140	1,414
Mental health and substance use	103,069	111,466	94,243
	<u>105,008</u>	<u>118,606</u>	<u>95,657</u>
Annual surplus	\$ -	\$ -	\$ -
Accumulated surplus, beginning of year	8,882	8,882	8,882
Accumulated surplus, end of year	\$ 8,882	\$ 8,882	\$ 8,882

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, 2024

	2024 Budget (note 1(k))	2024	2023
Annual surplus	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	(6,269)	(3,951)	(3,694)
Amortization of tangible capital assets	2,525	2,456	2,210
Revaluation of asset retirement obligation	-	(144)	-
	(3,744)	(1,639)	(1,484)
Acquisition of inventories held for use	-	(1,987)	(390)
Acquisition of prepaid expenses	-	(7,196)	(6,661)
Transfer of inventory to related entities	-	713	-
Consumption of inventories held for use	-	1,110	379
Use of prepaid expenses	-	7,118	6,588
	-	(242)	(84)
Increase in net debt	(3,744)	(1,881)	(1,568)
Net debt, beginning of year	(6,382)	(6,382)	(4,814)
Net debt, end of year	\$ (10,126)	\$ (8,263)	\$ (6,382)

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Cash Flows

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

	2024	2023
Cash flows from (used in) operating activities:		
Annual surplus	\$ -	\$ -
Items not involving cash:		
Amortization of deferred capital contributions	(2,444)	(2,139)
Amortization of tangible capital assets	2,456	2,210
Accretion of asset retirement obligation	5	-
Retirement allowance expense	680	624
	697	695
Net change in non-cash operating items (note 11)	(5,974)	1,709
Retirement allowance benefits paid	(413)	(678)
Net change in cash (used in) from operating activities	(5,690)	1,726
Capital activities:		
Acquisition of tangible capital assets	(3,951)	(3,694)
Net change in cash used in capital activities	(3,951)	(3,694)
Financing activities:		
Capital contributions	11,215	3,694
Net change in cash from financing activities	11,215	3,694
Increase in cash and cash equivalents	1,574	1,726
Cash and cash equivalents, beginning of year	2,933	1,207
Cash and cash equivalents, end of year	\$ 4,507	\$ 2,933

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

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, 2024

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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

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) 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 12 years (2023 – 12 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(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.

(e) Asset retirement obligation:

Asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The obligation is measured at the best estimate of future cash flows required to settle the liability. The liability is discounted using a present value calculation and adjusted annually for accretion expense. 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.

The estimated 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 in accordance with the accounting policies outlined in note 1(f). Changes resulting from the revisions to estimates at each reporting period are accounted for as part of the carrying amount of the related tangible capital asset. The estimated asset retirement costs for fully depreciated assets are expensed.

(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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
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

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the 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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

Revenue from transactions with performance obligations is recognized at a point in time or over a period of time when the Commission satisfies the individual performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor. Revenue with performance obligations is measured at the transaction price.

Revenue related to fees or services received in advance of the performance obligations being satisfied are deferred and recognized when the fees are earned or services are performed.

Revenue from transactions without performance obligations is recognized at realizable value when the Commission has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

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).

Volunteers contribute a significant amount of their time each year to assist the Commission in carrying out its programs and services. Contributed services are not recognized in these financial statements.

Contributions of assets 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, contingent liabilities and the future costs to settle employee benefit obligations.

Asset retirement obligation requires estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs due to the long-term nature of the liabilities.

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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(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.

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 2023/2024 Budget approved by the Board of Commissioners. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(l) Changes in Accounting Policy:

Effective April 1, 2023, the Commission adopted PS 3400, *Revenue*. PS 3400 provides guidance on how to account for and report revenue, and specifically, it differentiates between revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied. Management has assessed the impact of adopting PS 3400 and has found current recognition, measurement, presentation, and disclosure comply with the new standard resulting in no impact to the financial statements of the Commission.

2. Cash and cash equivalents:

	2024	2023
Cash and cash equivalents	\$ 3,849	\$ 2,295
Restricted cash	658	638
	<u>\$ 4,507</u>	<u>\$ 2,933</u>

Restricted cash is related to patient trust account.

3. Accounts receivable:

	2024	2023
Provincial Health Services Authority	\$ 35,045	\$ 28,326
Federal government	173	173
Other health authorities and BC government reporting entities	44	7
Other	620	246
	<u>35,882</u>	<u>28,752</u>
Allowance for doubtful accounts	(195)	(187)
	<u>\$ 35,687</u>	<u>\$ 28,565</u>

4. Accounts payable and accrued liabilities:

	2024	2023
Salaries and benefits payable	\$ 7,170	\$ 8,340
Trade accounts payable and accrued liabilities	6,529	4,259
Accrued vacation pay	3,366	3,133
Patient trust funds	658	638
	<u>\$ 17,723</u>	<u>\$ 16,370</u>

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

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, 2021 and extrapolated to March 31, 2024 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2024 are derived. The next expected valuation will be as of December 31, 2024.

Information about retirement allowance benefits is as follows:

	2024	2023
Accrued benefit obligation:		
Severance benefits	\$ 4,349	\$ 4,288
Sick leave benefits	3,054	2,905
	7,403	7,193
Unamortized actuarial loss	(207)	(264)
Accrued benefit liability	\$ 7,196	\$ 6,929

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

	2024	2023
Accrued benefit liability, beginning of year	\$ 6,929	\$ 6,983
Net benefit expense:		
Current service cost	423	417
Interest expense	254	217
Amortization of actuarial loss/(gain)	3	(10)
Net benefit expense	680	624
Benefits paid	(413)	(678)
Accrued benefit liability, end of year	\$ 7,196	\$ 6,929

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

5. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2024	2023
Accrued benefit obligation as at March 31:		
Discount rate	3.49%	3.55%
Rate of compensation increase		
2022	4.17%	4.17%
2023	7.00%	7.00%
2024	3.00%	3.00%
2025+	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase		
2022	4.17%	2.50%
2023	7.00%	
2024	3.00%	
2025+	2.50%	

(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, 2023 extrapolated to March 31, 2024 indicated a surplus of \$19,329 (2023 – deficit \$2,390). Contributions of \$2,377 (2023 – \$1,926) were expensed during the year. The PHSA plan covers approximately 7,900 active employees, of which approximately 200 are employees of the Commission (2023 – 200). The next expected valuation will be as of December 31, 2024.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

5. Employee benefits (continued):

(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, 2024, the Commission made contributions to these joint benefit trusts totaling \$1,947 (2023 – \$1,562).

(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 \$2,812 (2023 – \$2,035) 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, 2021 indicated a funding surplus of approximately \$3,761 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 240,000 active members, of which approximately 490 are employees of the Commission (2023 – 483). The next expected valuation will be as of December 31, 2024, with results available in 2025.

Employer contributions to the Public Service Pension Plan of \$1,747 (2023 – \$1,630) 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, 2023 indicated a funding surplus of approximately \$4,491 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 71,000 active members, of which approximately 218 are employees of the Commission (2023 – 237). The next actuarial valuation will be as of March 31, 2026, with results available in 2027.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

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(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

6. Deferred capital contributions:

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

	2024	2023
Deferred capital contributions, beginning of year	\$ 14,574	\$ 13,019
Capital contributions received:		
Provincial Health Services Authority	11,215	3,694
Amortization for the year	(2,444)	(2,139)
Deferred capital contributions, end of year	\$ 23,345	\$ 14,574

Deferred capital contributions comprise the following:

	2024	2023
Contributions used to purchase tangible capital assets	\$ 16,078	\$ 14,574
Unspent contributions	7,267	-
	\$ 23,345	\$ 14,574

7. Asset retirement obligation:

The Commission has entered into several lease agreements for facilities in which there is a legal obligation to decommission any leasehold improvements constructed or installed by the Commission at the end of the lease term. The Commission has recognized asset retirement obligations representing the estimated cost to decommission any leasehold improvements and restore the leased premises to its original state at a future date. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the lease term. The lease agreements have various terms ranging from 1 – 20 years, of which various lease years remain. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate determined by discounting the estimated cash outflows to the present value over the term to expected settlement, using a discount rate of 3.49% (2023 – 3.15%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2023 – 2.00%).

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(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

7. Asset retirement obligation (continued):

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	2024	2023
Opening balance	\$ -	\$ -
New liabilities	144	-
Accretion expense	5	-
Closing balance	\$ 149	\$ -

8. Tangible capital assets:

Cost	2023	Additions	Disposals	Transfers	2024
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	3,743	-	-	-	3,743
Equipment	18,575	99	-	-	18,674
Information systems	920	-	-	105	1,025
Leasehold improvements	8,223	144	-	90	8,457
Vehicles	646	-	(72)	-	574
Construction in progress	354	2,148	-	(90)	2,412
Equipment and information systems in progress	798	1,704	-	(105)	2,397
Total	\$ 33,302	\$ 4,095	\$ (72)	\$ -	\$ 37,325

Accumulated amortization	2023	Amortization	Disposals	Transfers	2024
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	1,912	216	-	-	2,128
Equipment	12,582	1,765	-	-	14,347
Information systems	760	45	-	-	805
Leasehold improvements	2,835	411	-	-	3,246
Vehicles	596	19	(72)	-	543
Total	\$ 18,728	\$ 2,456	\$ (72)	\$ -	\$ 21,112

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

8. Tangible capital assets (continued):

Cost	2022	Additions	Disposals	Transfers	2023
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	3,304	668	-	(229)	3,743
Equipment	18,523	52	-	-	18,575
Information systems	744	-	-	176	920
Leasehold improvements	6,357	-	(370)	2,236	8,223
Vehicles	717	27	(98)	-	646
Construction in progress	388	1,973	-	(2,007)	354
Equipment and information Systems in progress	-	974	-	(176)	798
Total	\$ 30,076	\$ 3,694	\$ (468)	\$ -	\$ 33,302

Accumulated amortization	2022	Amortization	Disposals	Transfers	2023
Land improvements	\$ 43	\$ -	\$ -	\$ -	\$ 43
Buildings	1,851	233	-	(172)	1,912
Equipment	10,820	1,762	-	-	12,582
Information systems	744	16	-	-	760
Leasehold improvements	2,849	184	(370)	172	2,835
Vehicles	679	15	(98)	-	596
Total	\$ 16,986	\$ 2,210	\$ (468)	\$ -	\$ 18,728

Net book value	2024	2023
Buildings	\$ 1,615	\$ 1,831
Equipment	4,327	5,993
Information systems	220	160
Leasehold improvements	5,211	5,388
Vehicles	31	50
Construction in progress	2,412	354
Equipment and information systems in progress	2,397	798
Total	\$ 16,213	\$ 14,574

Tangible capital assets are funded as follows:

	2024	2023
Deferred capital contributions	\$ 16,078	\$ 14,574
Internally funded	135	-
Tangible capital assets	\$ 16,213	\$ 14,574

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

9. Commitments and contingencies:

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

As at March 31, 2024, the Commission had outstanding commitments for construction, equipment and information systems in progress of \$363 (2023 - \$534).

(b) Contractual obligations:

The Commission has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts are as follows:

2025	\$	8,857
2026		6,693
2027		-
2028		-
2029		-
Thereafter		-
	\$	15,550

(c) Operating leases:

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

2025	\$	1,342
2026		1,121
2027		925
2028		684
2029		410
Thereafter		42
	\$	4,524

(d) Litigation and claims:

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

The nature of the Commission's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2024, 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.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

10. Statement of operations:

(a) Other revenues:

	2024	2023
Recoveries from sales of goods and services	\$ 875	\$ 799
	\$ 875	\$ 799

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

	2024	2023
Compensation:		
Compensation	\$ 73,594	\$ 58,666
Employee benefits	16,181	13,282
	89,775	71,948
Equipment and building services:		
Rent	7,985	7,000
Equipment	1,370	1,677
Building and grounds service contracts	1,042	1,049
Plant operations (utilities)	33	37
	10,430	9,763
Referred-out and contracted services:		
Health and support services providers	8,010	5,669
Other health authorities and BC government reporting entities	2,110	1,915
	10,120	7,584
Supplies:		
Food and dietary	1,609	1,175
Drugs and medical gases	659	586
Medical and surgical	306	324
Printing, stationery and office	191	133
Housekeeping and laundry	187	248
Diagnostic	53	13
Other	215	165
	3,220	2,644
Sundry:		
Professional fees	940	787
Travel	466	310
Communication and data processing	134	110
Delivery and courier	68	75
Other	992	226
	2,600	1,508
Amortization of tangible capital assets	2,456	2,210
Accretion of asset retirement obligation	5	-
	\$ 118,606	\$ 95,657

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Notes to Financial Statements

(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

11. Supplementary cash flow information:

Net change in non-cash operating items:

	2024	2023
Accounts receivable	\$ (7,122)	\$ (1,429)
Accounts payable and accrued liabilities	1,353	3,259
Deferred research and designated contributions	37	(37)
Inventories held for use	(164)	(11)
Prepaid expenses	(78)	(73)
	\$ (5,974)	\$ 1,709

12. 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 10(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, 2024

13. 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.

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, 2024, the amount of allowance for doubtful accounts was \$195 (2023 - \$187).

(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.

14. Comparative Figures

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