Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

And Independent Auditor's Report thereon

Year ended March 31, 2023

Statement of Management Responsibility

The financial statements of the Vancouver Island Health Authority (the "Authority") for the year ended March 31, 2023 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditor a minimum of two times a year.

The Authority's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports the findings to management and the Finance and Audit Committee.

The external auditor, KPMG LLP, conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. Their examination considers internal control relevant to management's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. The external auditor has full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of the Vancouver Island Health Authority

Kathryn E. MacNeil	Kim Kerrone
President and Chief Executive Officer	Vice President - Chief Financial Officer

May 24, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vancouver Island Health Authority, and
To the Minister of Health, Province of British Columbia

Opinion

We have audited the financial statements of Vancouver Island Health Authority (the Authority), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and accumulated deficit 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
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2023 of the Authority are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

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 Auditor's report.

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

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

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements (“Note 2”), which explains that certain comparative information presented for the year ended March 31, 2022 has been restated. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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 financial reporting provisions 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 Authority’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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

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 the 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 Authority'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 Authority'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 Authority to cease to continue as a going concern.

- 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 25, 2023

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Financial Position

(Financial statements and tabular amounts expressed in thousands of dollars)

As at March 31, 2023, with comparative information for 2022

		2023		2022 (Restated – note 2)
Financial assets				
Cash and cash equivalents (note 3)	$	213,180	$	346,961
Accounts receivable (note 4)		411,295		170,626
Inventories held for sale		1,119		1,129
Long-term disability and health and welfare asset (note 9(b)(i))		63,555		80,000
		689,149		598,716
Liabilities				
Accounts payable and accrued liabilities (note 5)		447,565		365,827
Deferred operating contributions (note 6)		2,402		7,439
Deferred research and designated contributions (note 7)		2,302		2,988
Debt (note 8)		371,797		380,001
Retirement allowance (note 9(a))		121,780		122,199
Replacement reserves (note 10)		22		20
Asset retirement obligations (note 11)		42,813		42,749
Deferred capital contributions (note 12)		1,406,561		1,314,235
		2,395,242		2,235,458
Net debt		(1,706,093)		(1,636,742)
Non-financial assets				
Tangible capital assets (note 13)		1,556,032		1,477,242
Inventories held for use		22,436		21,137
Prepaid expenses		35,741		41,001
Restricted assets		231		231
		1,614,440		1,539,611
Accumulated deficit	**$**	**(91,653)**	**$**	**(97,131)**

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Leah Hollins, Board Chair

Anne McFarlane, Director

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Operations and Accumulated Deficit
(Financial statements and tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget	2023	2022
	(note 1(n))		(Restated – note 2)
Revenues:			
Ministry of Health contributions	$ 2,912,671	$ 3,085,944	$ 2,821,924
Medical Services Plan	202,156	238,505	225,712
Recoveries from other health authorities and BC government reporting entities	138,424	148,510	138,062
Amortization of deferred capital contributions (note 12)	93,194	88,091	87,601
Patients, clients and residents (note 15(a))	69,279	83,965	72,667
Other (note 15(b))	36,299	61,769	46,013
Other contributions (note 15(c))	4,815	3,801	4,269
Investment income	1,536	3,654	715
	3,458,374	3,714,239	3,396,963
Expenses (note 15(d)):			
Acute care	1,785,818	1,887,464	1,749,737
Long-term care	549,670	616,746	558,514
Community care	442,533	518,127	447,256
Mental health and substance use	290,557	286,243	246,140
Corporate	306,077	293,518	241,073
Population health and wellness	83,719	106,663	154,532
	3,458,374	3,708,761	3,397,252
Annual surplus/(deficit)	-	5,478	(289)
Accumulated deficit, beginning of year	(97,131)	(97,131)	(57,008)
Adoption of asset retirement obligations standard (note 2)	-	-	(39,834)
Accumulated deficit, beginning of year, as restated	(97,131)	(97,131)	(96,842)
Accumulated deficit, end of year	$ (97,131)	$ (91,653)	$ (97,131)

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Changes in Net Debt
(Financial statements and tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (note 1(n))	2023	2022 (Restated – note 2)
Annual surplus	$ -	$ 5,478	$ (289)
Acquisition of tangible capital assets	(357,165)	(179,839)	(97,073)
Amortization of tangible capital assets	106,000	101,049	103,185
	(251,165)	(73,312)	5,823
Acquisition of inventories held for use	-	(336,629)	(205,067)
Acquisition of prepaid expenses	-	(50,883)	(60,859)
Consumption of inventories held for use	-	335,330	205,652
Use of prepaid expenses	-	56,143	60,368
	-	3,961	94
Decrease/(increase) in net debt	(251,165)	(69,351)	5,917
Net debt, beginning of year	(1,636,742)	(1,636,742)	(1,599,972)
Adoption of asset retirement obligations standard (note 2)	-	-	(42,687)
Net debt, beginning of year, as restated	(1,636,742)	(1,636,742)	(1,642,659)
Net debt, end of year	$ (1,887,907)	$ (1,706,093)	$ (1,636,742)

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Cash Flows
(Financial statements and tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022 (Restated – note 2)
Cash flows from (used in):		
Operating activities:		
Annual surplus (deficit) from operations	$ 5,478	$ (289)
Items not involving cash:		
Amortization of deferred capital contributions	(88,091)	(87,601)
Amortization of tangible capital assets	101,049	103,185
Accretion expense	64	62
Retirement allowance expense	14,711	11,550
Long-term disability benefits expense	85,847	46,409
Interest income	(3,655)	(715)
Interest expense	25,031	25,546
	140,434	98,147
Net change in non-cash operating items (note 16)	(160,681)	(5,366)
Retirement allowance benefits paid	(15,130)	(9,358)
Long-term disability benefits contributions	(69,402)	(73,214)
Interest received	3,655	715
Interest paid	(25,031)	(25,546)
Net change in cash from operating activities	(126,155)	(14,622)
Capital activities:		
Acquisition of tangible capital assets	(179,839)	(97,073)
Net change in cash from capital activities	(179,839)	(97,073)
Financing activities:		
Repayment of debt	(8,204)	(7,692)
Capital contributions	180,417	177,592
Net change in cash from financing activities	172,213	169,900
(Decrease)/increase in cash and cash equivalents	(133,781)	58,205
Cash and cash equivalents, beginning of year	346,961	288,756
Cash and cash equivalents, end of year	$ 213,180	$ 346,961

See accompanying notes to financial statements.

Vancouver Island Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six health authorities in British Columbia ("BC"). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a registered charity under the *Income Tax Act*, and is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well-being of people who live in the Vancouver Island region and those referred from outside the region.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements are 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 Canadian Public Sector Accounting Board ("PSAB") without any elections available for government not-for-profit organizations.

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 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 period 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 have been met by the Authority.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 the liability criteria in accordance with PS 3200, Liabilities.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Cash and cash equivalents:

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

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an allowance for doubtful accounts. 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. Interest is accrued on loans receivable to the extent it is deemed collectable.

(d) Inventories held for sale:

Inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Net realizable value is the estimated selling price less any costs to sell.

Inventories held for sale include pharmaceutical and other medical supplies.

(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 benefits.

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

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 for 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 (2022 – 12 years). Actuarial gains and losses from 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 an obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are 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 due and 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 Authority to pay benefits occurs.

(f) Asset retirement obligations:

An asset retirement obligation ("ARO") 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.

1. Significant accounting policies (continued):

(f) Asset retirement obligations (continued):

Certain building and fuel tank assets contain hazardous materials, and it is the Authority's practice to, as necessary, remediate these hazardous materials either on disposal of a tangible capital asset or in the course of completing repairs and maintenance. The liability for the removal of asbestos and other hazardous material in some buildings owned by the Authority, and fuel tanks located on sites owned by the Authority, have been recognized based on estimated future expenses to remediate the sites.

Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised annually. When the amount and timing of future cash flows of a remediation or demolition project are known, the liability is discounted using a present value calculation, and adjusted yearly for accretion expense up to the time the project commences.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building and fuel tank assets is being amortized in accordance with the amortization accounting policies outlined in note (1(g)(i)). Fuel tanks are considered building service equipment and are presented within the building capital asset account.

(g) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

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

Asset	Basis
Land improvements	5 – 25 years
Buildings	5 – 50 years
Equipment	3 – 20 years
Information systems	3 – 10 years
Assets under capital lease and leasehold improvements	Lease term

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

1. Significant accounting policies (continued):

(g) 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 Authority'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 market 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. Certain inventory items are held on consignment and are not included in inventory.

(iii) Prepaid expenses:

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

(h) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Authority 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 fee being earned or the services being performed are deferred and recognized when the fee is earned or services 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).

Volunteers contribute a significant amount of their time each year to assist the Authority 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 a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

Contributions for the acquisition of land, or the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

(i) Measurement of 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.

Areas requiring the use of estimates include 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.

(j) Restricted assets:

Restricted assets are comprised of endowment contributions which are externally restricted in their use. Endowment contributions are recorded as revenue in the period of acquisition. Use of these funds is limited to the terms of reference.

(k) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the statement of operations.

(l) 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 amortized cost less any allowance for doubtful accounts. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

1. Significant accounting policies (continued):

(l) 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. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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 Authority’s normal purchase, sale or usage requirements are not recognized as financial assets or liabilities.

(m) Capitalization of public-private partnership projects:

Public-private partnership (“P3”) projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction are estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the Authority.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation net of contributions received, is recorded as a liability and included in debt.

Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partners’ operating costs, financing costs and a return of their capital.

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority’s Fiscal 2022/2023 Budget approved by the Board of Directors on June 29, 2022. The budget is reflected in the statement of operations and accumulated deficit and the statement of changes in net debt.

1. Significant accounting policies (continued):

(o) Future accounting standards:

(i) In June 2018, PSAB issued PS 3400, Revenue. PS 3400 proposes a framework describing two categories of revenue – exchange and unilateral. If the transaction gives rise to one or more performance obligations, it would be an exchange transaction. If no performance obligations are present, they would be unilateral revenues. PS 3400 applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of PS 3400 on the financial statements of the Authority.

(ii) In November 2020, PSAB issued PSG-8, Purchased Intangibles. PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm’s length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. PSG-8 applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of PSG-8 on the financial statements of the Authority.

(iii) In April 2021, PSAB issued PS 3160, Public Private Partnerships that addresses the recognition, measurement, presentation and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. PS 3160 applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of PS 3160 on the financial statements of the Authority.

2. Adoption of new accounting standard:

On April 1, 2021, the Authority adopted Canadian Public Sector Accounting Standard PS 3280, Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption.

On April 1, 2021, the Authority recognized asset retirement obligations relating to buildings owned by the Authority containing asbestos and other hazardous materials. The buildings have been built or acquired over time, dating as far back as 1896. To minimize the risk of estimation uncertainty associated with determining remediation costs that far in the past, the liabilities have been measured as at the date the standard was adopted. The Authority’s buildings have estimated useful lives between 5 – 50 years. Many of the Authority’s buildings are still in productive use despite being past their estimated useful lives for accounting purposes. For these buildings, when the timing of future remediation and associated costs are known, the ARO liability will be adjusted accordingly by escalating and discounting the future cost of approved remediation projects.

(Financial statements and tabular amounts expressed in thousands of dollars)

2. Adoption of new accounting standard (continued):

In accordance with the provisions of this new standard, the Authority reflected the following adjustments as at and for the year ended April 1, 2022 as follows:

	As previously stated	Adjustment	As restated
Statement of financial position:			
Asset retirement obligations	$ -	$ 42,749	$ 42,749
Tangible capital assets	1,474,562	2,680	1,477,242
Accumulated deficit	$ (57,062)	$ (40,069)	$ (97,131)
Statement of operations and accumulated deficit:			
Corporate	$ 240,838	$ 235	$ 241,073
Annual deficit	(54)	(235)	(289)
Accumulated deficit, beginning of year	(57,008)	(39,834)	(96,842)
Accumulated deficit, end of year	$ (57,062)	$ (40,069)	$ (97,131)
Statement of changes in net debt:			
Annual deficit	$ (54)	$ (235)	$ (289)
Amortization of tangible capital assets	103,012	173	103,185
Decrease in net debt	5,979	(62)	5,917
Net debt, beginning of year	(1,599,972)	(42,687)	(1,642,659)
Net debt, end of year	$ (1,593,993)	$ (42,749)	$ (1,636,742)
Note 13. Tangible capital assets:			
Opening cost – buildings	$ 1,826,516	$ 42,811	$ 1,869,327
Closing cost – buildings	1,859,674	42,811	1,902,485
Opening accumulated amortization – buildings	784,058	39,958	824,016
Amortization – buildings	49,072	173	49,245
Closing accumulated amortization - buildings	833,130	40,131	873,261
Net book value – buildings	$ 1,026,544	$ 2,680	$ 1,029,224

(Financial statements and tabular amounts expressed in thousands of dollars)

3. Cash and cash equivalents:

	2023	2022
Cash and cash equivalents	$ 213,180	$ 346,961
Less amounts restricted for:		
Capital purposes	(217,518)	(220,510)
P3 projects	(35,999)	(33,073)
Future operating purposes	(2,402)	(7,439)
Research and designated purposes	(2,302)	(2,988)
Replacement reserves	(22)	(20)
Patient comfort funds	(505)	(483)
Amounts internally restricted	(1,499)	(1,476)
Unrestricted cash and cash equivalents	$ (47,067)	$ 80,972

4. Accounts receivable:

	2023	2022
Medical Services Plan	$ 26,014	$ 21,456
Other health authorities and BC government reporting entities	30,486	27,537
Ministry of Health	316,763	89,671
Patients, clients and residents	22,949	20,742
Regional Hospital Districts	8,359	3,951
Foundations and auxiliaries	7,508	4,970
Federal government	4,073	4,362
WorkSafe BC	1,281	1,300
Other	6,789	8,253
	424,222	182,242
Allowance for doubtful accounts	(12,927)	(11,616)
	$ 411,295	$ 170,626

5. Accounts payable and accrued liabilities:

	2023	2022
Salaries and benefits	$ 201,297	$ 150,340
Trade accounts payable and accrued liabilities	147,297	125,402
Accrued vacation	98,971	90,085
	$ 447,565	$ 365,827

(Financial statements and tabular amounts expressed in thousands of dollars)

6. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

		2023		2022
Deferred operating contributions, beginning of year	$	7,439	$	3,158
Contributions received		294		7,747
Amounts recognized as revenue		(5,331)		(3,466)
Deferred operating contributions, end of year	$	2,402	$	7,439

7. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from external sources for specific clinical research projects and specific educational purposes.

		2023		2022
Deferred research and designated contributions, beginning of year	$	2,988	$	2,747
Contributions received		505		1,012
Amounts recognized as revenue		(1,191)		(771)
Deferred research and designated contributions, end of year	$	2,302	$	2,988

8. Debt:

		2023		2022
Public-private partnerships (P3):				
Royal Jubilee Hospital (RJH) Patient Care Centre, 30 year contract to December 1, 2040 with ISL Health, payable in monthly payments of $1,229 including annual interest of 6.30%, payable in accordance with the project agreement terms	$	157,275	$	161,942
Campbell River and Comox Valley Hospitals, 30 year contract to April 1, 2047 with Tandem Health Partners, payable in monthly payments of $1,526 including annual interest of 6.94%, payable in accordance with the project agreement terms		214,111		217,446
		371,386		379,388

(Financial statements and tabular amounts expressed in thousands of dollars)

8. Debt (continued):

Bank loans:				
Term loan, payable in monthly payments of $15 including annual interest of 2.59%, maturing November 10, 2024		288		465
Mortgages:				
Canada Mortgage and Housing Corporation (CMHC), secured by first charges on properties, Dogwood Place, payable in monthly payments of $2, including annual interest of 2.50%, renewable June 1, 2023		123		148
	$	371,797	$	380,001

Required principal repayments and maturities on bank loans and mortgages over the years ending March 31 are as follows:

2024	$	305
2025		106
	$	411

Required principal repayments on P3 debt over the years ending March 31 are disclosed with public-private partnership commitments in note 14(e).

9. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty 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 Authority's liabilities are based on an actuarial valuation as at the measurement date of December 31, 2021 and extrapolated to March 31, 2023 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2023 are derived.

Information about retirement allowance benefits is as follows:

		2023		2022
Accrued benefit obligation:				
Severance benefits	$	81,137	$	80,611
Sick leave benefits		53,377		52,886
		134,514		133,497
Unamortized actuarial loss		(12,734)		(11,298)
Accrued benefit liability	$	121,780	$	122,199

(Financial statements and tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2023	2022
Accrued benefit liability, beginning of year	$ 122,199	$ 120,007
Net benefit expense:		
Current service cost	10,846	9,447
Interest expense	4,258	3,781
Amortization of actuarial loss	(393)	(1,678)
Net benefit expense	14,711	11,550
Benefits paid	(15,130)	(9,358)
Accrued benefit liability, end of year	$ 121,780	$ 122,199

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement allowance liabilities are as follows:

	2023	2022
Accrued benefit obligation, as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase (% per annum)		
2022	4.17%	2.50%
2023	7.00%	
2024	3.00%	
Thereafter	2.50%	
Benefit costs for years ended March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

Individuals may be eligible for normal merit and promotional increases in addition to the rate of compensation increase.

(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 Authority and other provincially-funded organizations.

(Financial statements and tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, the Authority's net trust liabilities (assets) are reflected in these financial statements.

The Authority's net asset as of March 31, 2023 is based on the actuarial valuation at December 31, 2022, extrapolated to March 31, 2023. The net asset as of March 31, 2022 is based on the actuarial valuation at December 31, 2021 and extrapolated to March 31, 2022.

The long-term disability and health and welfare benefits liability (asset) reported on the statement of financial position is as follows:

	2023	2022
Fair value of plan assets	$ 253,289	$ 267,394
Accrued benefit obligation	189,734	187,394
Net (asset)/liability	$ (63,555)	$ (80,000)

	2023	2022
Long-term disability and health and welfare benefits (asset)/liability, beginning of year	$ (80,000)	$ (53,195)
Net benefit expense:		
Long term disability expense	31,637	26,599
Health and welfare benefit expense	34,299	29,905
Interest expense	9,626	9,714
Actuarial loss/(gain)	23,250	(6,797)
Employee payments	653	(330)
Expected return on assets	(13,618)	(12,682)
Net benefit expense	85,847	46,409
Contributions to the plan	(70,977)	(71,574)
Transfer of health and welfare benefits net deficit/(surplus)	1,575	(1,640)
Long-term disability and health and welfare benefits (asset)/liability, end of year	$ (63,555)	$ (80,000)
Benefits paid to claimants	$ (65,384)	$ (62,874)

(Financial statements and tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

Plan assets consist of:

	December 31, 2022	December 31, 2021
Debt securities	34.90%	42.10%
Foreign equities	34.30%	35.70%
Canadian equities and other	30.80%	22.20%
Total	100.00%	100.00%

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

	2023	2022
Accrued benefit liability, as at March 31:		
Discount rate	5.90%	5.10%
Benefit indexing, (% per annum)		
2022	4.17%	2.00%
2023	7.00%	
2024	3.00%	
Thereafter	2.25%	
Benefit costs for years ended March 31:		
Discount rate	5.90%	5.10%
Rate of compensation increase benefit indexing (% per annum)	2.00%	2.00%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.90%	5.10%

Benefit indexing is applicable except where negotiated wage increases are known. Where negotiated wage increases are known, they apply.

Actual long-term rate of return on plan assets was (5.88%) for the year ended December 31, 2022 (December 31, 2021 – 8.83%).

(Financial statements and tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) 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, 2023, the Authority made contributions to these joint benefit trusts totalling $66.4 million (2022 – $60.7 million).

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of $111.1 million (2022 – $109.2 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the 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 unfunded liability/surplus to individual employers. The plan covers approximately 240,000 active members of which approximately 23,000 are employees of the Authority. The next expected valuation date will be as of December 31, 2024 with results available in 2025.

Employer contributions to the Public Service Plan of $0.9 million (2022 – $1.1 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at March 31, 2020 indicated a surplus of approximately $2,667 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 68,000 active members, of which approximately 180 are employees of the Authority. The next actuarial valuation of the plan will be as of March 31, 2023.

10. Replacement reserves:

Under the terms of mortgage agreement with CMHC, the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC. The Authority complies with these provisions.

The replacement reserves by facility are as follows:

	2023	2022
Dogwood Manor	$ 22	$ 20

(Financial statements and tabular amounts expressed in thousands of dollars)

11. Asset retirement obligations:

The Authority owns and operates some buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. Additionally, some sites owned by the Authority contain fuel tanks. As there is a legal obligation to remove hazardous materials, the Authority has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings, and fuel tanks on these sites, as estimated at April 1, 2022. Due to the longevity of many of the Authority's buildings outlasting the estimated useful lives for accounting purposes, many buildings that are fully amortized are still in productive use for the foreseeable future. Once an approved project plan is in place, the timing and amount of future cash flows can then be reasonably estimated and the corresponding liability for that asset is updated to reflect the anticipated costs for removal and post-removal care of hazardous materials. Post-closure care is estimated to extend for up to one year after the closure of the building, while demolition and construction continues. Such estimated costs have been discounted to the present value using a discount rate of 3.55% per annum which is the Authority's cost of borrowing.

The transition and recognition of asset retirement obligations involved an accompanying increase to the Buildings assets and the restatement of prior year figures (see note 2).

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

Asset retirement obligations	Buildings (Asbestos and hazardous materials removal)	Fuel tanks	Total 2023
Opening balance	$ 40,539	$ 2,210	$ 42,749
Accretion expense	64	-	64
Closing balance	$ 40,603	$ 2,210	$ 42,813

Asset retirement obligations	Buildings (Asbestos and hazardous materials removal)	Fuel tanks	Total 2022
Opening balance	-	-	-
Adoption of asset retirement obligations standard (note 2)	$ 40,477	$ 2,210	$ 42,687
Opening balance, as restated	40,477	2,210	42,687
Accretion expense	62	-	62
Closing balance	$ 40,539	$ 2,210	$ 42,749

(Financial statements and tabular amounts expressed in thousands of dollars)

12. Deferred capital contributions:

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

	2023	2022
Deferred capital contributions, beginning of year	$ 1,314,235	$ 1,224,244
Capital contributions received:		
Ministry of Health	123,040	142,290
Regional hospital districts	25,999	17,298
Foundations and auxiliaries	25,539	15,558
Other	5,839	2,446
	180,417	177,592
Amortization of deferred capital contributions	(88,091)	(87,601)
Deferred capital contributions, end of year	$ 1,406,561	$ 1,314,235

Deferred capital contributions are comprised of the following:

	2023	2022
Contributions used to purchase tangible capital assets	$ 1,189,043	$ 1,093,725
Unspent contributions	217,518	220,510
	$ 1,406,561	$ 1,314,235

13. Tangible capital assets:

Cost	2022 (Restated – note 2)	Additions	Disposals	Transfers	2023
Land	$ 23,594	$ 3	$ -	$ -	$ 23,597
Land improvements	24,557	109	-	241	24,907
Buildings	1,902,485	367	-	50,296	1,953,148
Equipment	490,305	5,754	(5,550)	29,703	520,212
Information systems	260,766	298	-	15,795	276,859
Leasehold improvements	35,738	120	-	4,647	40,505
Construction in progress	143,820	131,051	-	(59,689)	215,182
Equipment and information systems in progress	92,188	42,137	-	(40,993)	93,332
Total	$ 2,973,453	$ 179,839	$ (5,550)	$ -	$ 3,147,742

(Financial statements and tabular amounts expressed in thousands of dollars)

13. Tangible capital assets (continued):

Accumulated amortization	2022 (Restated – note 2)	Amortization	Disposals/ Transfers	2023
Land improvements	$ 17,870	$ 933	$ -	$ 18,803
Buildings	873,261	50,744	-	924,005
Equipment	391,508	27,835	(5,550)	413,793
Information systems	194,365	18,536	-	212,901
Leasehold improvements	19,207	3,001	-	22,208
Total	$ 1,496,211	$ 101,049	$ (5,550)	$ 1,591,710

Cost	2021 (Restated – note 2)	Additions	Disposals	Transfers	2022 (Restated – note 2)
Land	$ 23,565	$ 29	$ -	$ -	$ 23,594
Land improvements	23,094	89	-	1,374	24,557
Buildings	1,869,327	966	-	32,192	1,902,485
Equipment	485,733	5,800	(16,203)	14,975	490,305
Information systems	255,021	66	-	5,679	260,766
Leasehold improvements	30,621	119	-	4,998	35,738
Construction in progress	129,650	52,727	-	(38,557)	143,820
Equipment and information systems in progress	75,572	37,277	-	(20,661)	92,188
Total	$ 2,892,583	$ 97,073	$ (16,203)	$ -	$ 2,973,453

Accumulated amortization	2021 (Restated – note 2)	Amortization (Restated – note 2)	Disposals/ Transfers	2022 (Restated – note 2)
Land improvements	$ 16,598	$ 1,272	$ -	$ 17,870
Buildings	824,016	49,245	-	873,261
Equipment	378,136	29,575	(16,203)	391,508
Information systems	173,002	21,363	-	194,365
Leasehold improvements	17,477	1,730	-	19,207
Total	$ 1,409,229	$ 103,185	$ (16,203)	$ 1,496,211

(Financial statements and tabular amounts expressed in thousands of dollars)

13. Tangible capital assets (continued):

Net book value	2023	2022 (Restated – note 2)
Land	$ 23,597	$ 23,594
Land improvements	6,104	6,687
Buildings	1,029,143	1,029,224
Equipment	106,419	98,797
Information systems	63,958	66,401
Leasehold improvements	18,297	16,531
Construction projects in progress	215,182	143,820
Equipment and information systems in progress	93,332	92,188
Total	$ 1,556,032	$ 1,477,242

During the year nil (2022 – nil) of interest was capitalized to construction projects in progress.

Tangible capital assets are funded as follows:

	2023	2022 (Restated – note 2)
Deferred capital contributions	$ 1,189,043	$ 1,093,725
Debt	335,387	346,315
Internally funded	31,602	37,202
Tangible capital assets	$ 1,556,032	$ 1,477,242

14. Commitments and contingencies:

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

As at March 31, 2023, the Authority had outstanding commitments for construction and information systems projects in progress of $1,138 million (2022 - $43.3 million). Included in this amount is $1,115 million relating to the Cowichan District Hospital build (2022 - $7.7 million).

(b) Contractual obligations:

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

2024	$ 198,858
2025	67,006
2026	23,721
2027	11,856
2028	9,035
	$ 310,476

(Financial statements and tabular amounts expressed in thousands of dollars)

14. Commitments and contingencies (continued):

(c) Long-term care contracts:

The Authority has entered into contracts with 44 service providers to provide long-term care services. The aggregate annual commitments for these contracts are as follows:

2024	$	296,215
2025		176,298
2026		186,298
2027		186,298
2028		181,589
Thereafter		1,352,215
	$	2,378,913

(d) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2024	$	38,966
2025		28,193
2026		20,926
2027		16,257
2028		13,783
Thereafter		129,616
	$	247,741

(e) Public-private partnerships and commitments:

The Authority has entered into multiple-year contracts to design, build, finance, and maintain the Royal Jubilee Hospital Patient Care Centre, the Campbell River Hospital and the Comox Valley Hospital. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance (“FM”) and the lifecycle costs. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 8. Facilities management and lifecycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation, where applicable.

(Financial statements and tabular amounts expressed in thousands of dollars)

14. Commitments and contingencies (continued):

(e) Public-private partnerships and commitments (continued):

	Capital and financing	FM and lifecycle	Total payments
2024	$ 33,017	$ 12,337	$ 45,354
2025	33,014	13,612	46,626
2026	33,011	13,585	46,596
2027	33,007	15,986	48,993
2028	33,003	14,315	47,318
Thereafter	535,763	404,925	940,688
	$ 700,815	$ 474,760	$ 1,175,575

Required principal repayments on this debt over the years ending March 31 are as follows:

2024	$ 8,544
2025	9,123
2026	9,741
2027	10,401
2028	11,106
Thereafter	322,471
	$ 371,386

(f) 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 Authority’s activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2023, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority’s financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided based on management’s best estimate of the ultimate settlement.

(g) St. Joseph General Hospital (SJGH) ongoing maintenance costs:

The Authority agreed to reimburse SJGH, now Providence Living Society, for ongoing maintenance of the vacant facilities as outlined in the 2017 Asset Transfer Agreement.

(Financial statements and tabular amounts expressed in thousands of dollars)

15. Statement of operations:

(a) Patients, clients and residents revenues:

	2023	2022
Long-term and extended care	$ 38,347	$ 37,413
WorkSafe BC	11,013	8,989
Non-residents of Canada	14,882	6,940
Residents of BC self pay	14,256	12,761
Federal government	4,050	4,513
Preferred accommodation	4	-
Other	1,413	2,051
	$ 83,965	$ 72,667

(b) Other revenues:

	2023	2022
Recoveries from sales of goods and services	$ 42,173	$ 39,336
Parking and other	19,596	6,677
	$ 61,769	$ 46,013

(c) Other contributions:

	2023	2022
Federal government	$ 46	$ 59
Other	3,755	4,210
	$ 3,801	$ 4,269

(Financial statements and tabular amounts expressed in thousands of dollars)

15. Statement of operations (continued):

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

	2023	2022 (Restated – note 2)
Compensation:		
Compensation	$ 1,945,354	$ 1,764,868
Employee benefits	433,992	389,257
Loss (gain) on event driven employee benefits	23,250	(6,797)
	2,402,596	2,147,328
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	31,152	30,044
Health and support services providers	557,436	572,580
	588,588	602,624
Supplies:		
Medical and surgical	132,866	117,502
Drugs and medical gases	84,734	77,790
Diagnostic	27,856	31,010
Food and dietary	20,970	13,582
Laundry and linen	17,937	16,874
Printing, stationary and office	5,584	4,625
Housekeeping	5,802	4,450
Other	22,418	20,034
	318,167	285,867
Amortization of tangible capital assets	101,049	103,185
Equipment and building services:		
Equipment	112,297	99,728
Plant operations (utilities)	21,061	20,813
Rent	29,305	27,131
Building and ground service contracts	18,398	17,828
Other	7,509	5,789
	188,570	171,289
Sundry:		
Travel	15,960	11,122
Communication and data processing	10,118	9,120
Professional fees	8,343	6,782
Patient transport	6,280	6,280
Other	44,059	28,109
	84,760	61,413
Interest on debt	25,031	25,546
	$ 3,708,761	$ 3,397,252

(Financial statements and tabular amounts expressed in thousands of dollars)

16. Supplementary cash flow information:

Net change in non-cash operating items:

	2023	2022
Accounts receivable	$ (240,669)	$ (57,259)
Inventories held for sale	10	(160)
Accounts payable and accrued liabilities	81,738	47,432
Deferred operating contributions	(5,037)	4,281
Deferred research and designated contributions	(686)	241
Replacement reserves	2	5
Inventories held for use	(1,299)	585
Prepaid expenses	5,260	(491)
	$ (160,681)	$ (5,366)

17. Related parties and other agencies:

The following are types of related parties. Disclosure of values for related party transactions is required if the values are different from that which would have been arrived at if the parties were unrelated. No significant differences exist for such related party transactions.

(a) BC government reporting entities:

The Authority 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.

(b) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team, their close family members or entities controlled by them to be key management personnel based on the PS 2200 definition.

(c) Foundations and auxiliaries:

Within the Authority area, there are 32 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations. The foundations and auxiliaries are separate legal entities incorporated under the Societies Act of British Columbia with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the Income Tax Act of Canada. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities. During the year, the foundations granted $24.2 million (2022 – $10.1 million) to various facilities within the Authority.

18. Risk management:

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

(Financial statements and tabular amounts expressed in thousands of dollars)

18. Risk management (continued):

(a) Credit risk:

The Authority's exposure to and management of credit risk has not changed since March 31, 2022.

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2023, the amount of allowance for doubtful accounts was $12.9 million (2022 – $11.6 million).

The Authority is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities. As at March 31, 2023, the following accounts receivable were due but not impaired:

	2023	2022
Current	$ 357,996	$ 131,259
30 days	1,149	842
60 days	357	417
90 days	69	330
Over 120 days	8,394	5,816
	$ 367,965	$ 138,664

(b) Liquidity risk:

The Authority's exposure to and management of liquidity risk has not changed since March 31, 2022.

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

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

(Financial statements and tabular amounts expressed in thousands of dollars)

18. Risk management (continued):

(b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature.

2023 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 213,180	$ -	$ -	$ 213,180
Accounts receivable	395,731	10,929	4,635	411,295
Total financial assets	$ 608,911	$ 10,929	$ 4,635	$ 624,475

2023 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 441,572	$ 5,993	$ -	$ 447,565
Debt	8,849	40,477	322,471	371,797
Total financial liabilities	$ 450,421	$ 46,470	$ 322,471	$ 819,362

2022 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 346,961	$ -	$ -	$ 346,961
Accounts receivable	162,414	7,375	837	170,626
Total financial assets	$ 509,375	$ 7,375	$ 837	$ 517,587

2022 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 364,102	$ 1,725	$ -	$ 365,827
Debt	8,204	38,220	333,577	380,001
Total financial liabilities	$ 372,306	$ 39,945	$ 333,577	$ 745,828

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

(Financial statements and tabular amounts expressed in thousands of dollars)

18. Risk management (continued):

(c) Foreign exchange risk:

The Authority's exposure to and management of foreign exchange risk has not changed since March 31, 2022.

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than Canadian dollars. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in US dollars, and other currencies. Currencies most contributing to the foreign exchange risk are US dollars.

Comparative foreign exchange rates as at March 31 are as follows:

	2023	2022
US dollar per Canadian dollar	$ 0.739	$ 0.800

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management has assessed that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

19. Repatriation – Housekeeping and Food Services:

On August 30, 2021 the Ministry of Health announced that under Bill 47 (Health Sector Repeal Act), it will start a phased approach to repatriate commercial housekeeping and food service contracts in acute and long term care facilities across the province. This includes workers who currently provide housekeeping and food services to the Authority through contracts with Marquise, Morrison, Crothall, and Acciona respectively. The transition to in-house services began in November 2021 and the transfer of all related contracted services was completed by July 2022.

20. COVID-19:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. BC's Provincial Health Officer declared a public health emergency on March 17, 2020. On July 10, 2020, the COVID-19 Related Measures Act came into force.

The financial statements of the health authority reflect its response to the pandemic. Events that occurred and affected health authorities' operations in 2022/23 were addressed through collaboration with the Ministry of Health; health authorities expect to be able to respond appropriately to potential COVID-19 related issues.