Financial Statements of

INTERIOR HEALTH AUTHORITY

Year ended March 31, 2019

Interior Health
Every person matters

Statement of Management Responsibility

The financial statements of Interior Health Authority (the "Authority") for the year ended March 31, 2019 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 all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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 fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor no fewer than four times a year and the external auditors 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 its findings to management and the Audit and Finance Committee.

The external auditors, the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation 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 auditors have full and free access to the Audit and Finance Committee of the Board and meet with it on a regular basis.

On behalf of Interior Health Authority

S. Brown

Susan Brown,
Chief Executive Officer

D. Lommer

Donna Lommer,
VP Support Services & Chief Financial Officer

June 18, 2019

Office of the Auditor General of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of the Interior Health Authority, and
To the Minister of Health, Province of British Columbia

Qualified Opinion

I have audited the accompanying financial statements of the *Interior Health Authority* ("the entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and accumulated surplus, changes in net debt, 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 Interior Health Authority as at March 31, 2019, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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 revenue as at March 31, 2019 would have been lower by $1,041 million, revenue, annual surplus and accumulated surplus would have been higher by $1,041 million and net debt would have been lower by $1,041 million.

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 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.
- 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.

Russ Jones

Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
June 21, 2019

INTERIOR HEALTH AUTHORITY

Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

As at March 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (note 2)	$ 196,563	$ 234,038
Accounts receivable (note 3)	98,291	68,690
	294,854	302,728
Liabilities		
Accounts payable and accrued liabilities (note 4)	221,946	208,305
Deferred operating contributions (note 5)	3,438	4,281
Debt (note 6)	361,182	309,668
Retirement allowance (note 7(a))	118,521	116,029
Long-term disability and health and welfare benefits (note 7(b)(i))	7,980	2,268
Deferred capital contributions (note 8)	1,139,392	1,087,569
	1,852,459	1,728,120
Net debt	(1,557,605)	(1,425,392)
Non-financial assets		
Tangible capital assets (note 9)	1,561,513	1,453,858
Inventories held for use (note 10)	6,244	6,274
Prepaid expenses (note 11)	7,753	7,807
Restricted assets	235	235
	1,575,745	1,468,174
Accumulated surplus	$ 18,140	$ 42,782

Commitments and contingencies (note 12)

Contractual rights (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Board:

D. Cochrane Director

Dr. Doug Cochrane

Dennis Rounsville Director

Dennis Rounsville

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2019

	2019 Budget	2019	2018
	(Notes 1(n), 17)		
Revenues:			
Ministry of Health contributions	$ 1,857,123	$ 1,854,262	$ 1,747,361
Medical Services Plan	154,496	162,684	160,283
Patients, clients and residents (note 13(a))	114,645	114,188	110,752
Amortization of deferred capital contributions	79,086	79,777	80,073
Recoveries from other health authorities and BC government reporting entities	47,624	46,159	43,073
Other contributions (note 13(b))	33,562	37,611	35,413
Other (note 13(c))	32,168	33,480	29,992
Investment	2,159	3,176	2,715
	2,320,863	2,331,337	2,209,662
Expenses (note 13(d)):			
Acute	1,278,376	1,318,688	1,231,909
Residential care	414,249	416,118	397,076
Community care	240,658	243,332	228,416
Corporate	165,701	153,436	145,294
Mental health and substance use	157,521	159,300	139,399
Population health and wellness	64,358	65,105	61,379
	2,320,863	2,355,979	2,203,473
Annual surplus (deficit)	-	(24,642)	6,189
Accumulated surplus, beginning of year	42,782	42,782	36,593
Accumulated surplus, end of year	$ 42,782	$ 18,140	$ 42,782

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

Statement of Changes in Net Debt
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

	2019 Budget (Note 1(n))	2019	2018
Annual surplus (deficit)	$ -	$ (24,642)	$ 6,189
Acquisition of tangible capital assets	(190,300)	(202,325)	(192,985)
Proceeds from disposal of tangible capital assets	-	-	158
Amortization of tangible capital assets	87,226	94,535	91,952
Loss on disposal of tangible capital assets	-	135	1,606
	(103,074)	(132,297)	(93,080)
Acquisition of inventories held for use	-	(86,685)	(82,358)
Acquisition of prepaid expenses	-	(36,157)	(21,726)
Consumption of inventories held for use	-	86,715	82,313
Use of prepaid expenses	-	36,210	25,149
	-	83	3,378
Increase in net debt	(103,074)	(132,214)	(89,702)
Net debt, beginning of year	(1,425,392)	(1,425,392)	(1,335,690)
Net debt, end of year	$ (1,528,466)	$ (1,557,606)	$ (1,425,392)

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

Statement of Cash Flows
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

	2019	2018
Cash flows from (used in) operating activities:		
Annual surplus	$ (24,642)	$ 6,189
Items not involving cash:		
Amortization of deferred capital contributions	(79,777)	(80,073)
Amortization of tangible capital assets	94,535	91,952
Loss on disposal of tangible capital assets	135	1,606
Retirement allowance expense	9,961	10,004
Retirement allowance benefits paid	(7,468)	(9,609)
Long-term disability and health and welfare benefits expense	107,718	72,496
Long-term disability and health and welfare benefits contributions	(102,006)	(86,447)
Interest income	(3,176)	(2,715)
Interest expense	16,535	15,083
	11,815	18,486
Net change in non-cash operating items (note 14(a))	(16,709)	8,303
Interest received	3,176	2,715
Interest paid	(16,546)	(15,104)
Net change in cash from operating activities	(18,264)	14,400
Capital activities:		
Proceeds from disposal of tangible capital assets	-	158
Acquisition of tangible capital assets (note 14(b))	(145,367)	(129,925)
Net change in cash from capital activities	(145,367)	(129,767)
Financing activities:		
Repayment of debt	(5,443)	(7,354)
Capital contributions	131,600	119,933
Net change in cash from financing activities	126,157	112,579
Decrease in cash and cash equivalents	(37,474)	(2,788)
Cash and cash equivalents, beginning of year	234,038	236,826
Cash and cash equivalents, end of year	$ 196,564	$ 234,038

Supplementary cash flow information (note 14)

See accompanying notes to financial statements.

Interior 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 as such, 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 Interior region and those referred from outside the region.

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 Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

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 of amortization used for the related tangible capital asset. 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 and recognized in revenue in the year in which the stipulation or restriction on the contributions has 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 requires 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*; and
- 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 related deferred capital contributions would be recorded differently under PSAS.

(b) Basis of presentation:

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (see note 15(c)).

(c) 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.

(d) 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. Interest is accrued on loans receivable to the extent it is deemed collectable.

1. Significant accounting policies (continued):

(e) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, the Authority reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

See note 12(g) for detail on current asset retirement obligations.

(f) 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 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 benefit is 11 years (2018 – 11 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.

1. Significant accounting policies (continued):

(f) Employee benefits (continued):

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

The discount rate used to measure 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.

(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:

Land improvements	5 - 25 years
Buildings	10 - 50 years
Equipment	3 - 20 years
Information systems	3 - 10 years
Leasehold improvements	2 - 15 years
Vehicles	4 years

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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 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 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.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where 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.

Revenue related to fees or services received in advance of the fee being earned or the service being performed are deferred and recognized when the fees are 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).

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

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.

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 uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(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.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

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. Portfolio investments, other than equity investments quoted in an active market, are reported at amortized costs 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.

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. 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 financial 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.

1. Significant accounting policies (continued):

(m) Capitalization of public-private partnership projects (continued):

When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received is recorded as a liability and included in debt.

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

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2018/2019 Budget approved by the Board of Directors on June 19, 2018 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net debt. Note 17 reconciles the approved budget to the budget information reported in these financial statements.

(o) Future accounting standards:

(i) In August 2018, PSAB issued PS 3280 Asset Retirement Obligations. PS 3280 establishes standards of how to account for and report legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites. Disclosure of information about asset retirement obligations is required when tangible capital assets are acquired, constructed, developed, or are in normal use. PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the financial statements of the Authority.

(ii) In June 2018, PSAB issued PS 3400 Revenue. PS 3400 proposes a framework describing two categories of revenue – transactions with performance obligations and transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS3400 on the financial statements of the Authority.

(Tabular amounts expressed in thousands of dollars)

2. Cash and cash equivalents:

	2019	2018
Cash and cash equivalents	$ 196,563	$ 234,038
Amounts restricted for capital purposes	(37,473)	(47,753)
Amounts restricted for future operating purposes	(3,438)	(4,281)
Amounts restricted for P3 projects	(5,930)	(4,159)
Amounts restricted for patient comfort funds	(311)	(301)
Unrestricted cash and cash equivalents and portfolio investments	$ 149,411	$ 177,544

3. Accounts receivable:

	2019	2018
Patients, clients and residents	$ 22,517	$ 20,555
Other health authorities and BC government reporting entities	20,154	17,575
Medical Services Plan	20,799	18,631
Ministry of Health	15,687	2,608
Regional hospital districts	8,646	6,107
Foundations and auxiliaries	12,317	4,254
Federal government	3,670	2,834
WorkSafeBC	2,026	1,903
Other	9,200	10,053
	115,016	84,520
Allowance for doubtful accounts	(16,725)	(15,830)
	$ 98,291	$ 68,690

(Tabular amounts expressed in thousands of dollars)

4. Accounts payable and accrued liabilities:

		2019		2018
Salaries and benefits payable	$	92,322	$	83,479
Accrued vacation pay		69,153		65,052
Trade accounts payable and accrued liabilities		60,471		59,774
	$	221,946	$	208,305

5. Deferred operating contributions:

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

		2019		2018
Deferred operating contributions, beginning of year	$	4,281	$	7,936
Contributions received during the year		1,600		3,586
Amount recognized as revenue in the year		(2,443)		(7,241)
	$	3,438	$	4,281

(Tabular amounts expressed in thousands of dollars)

6. Debt:

		2019		2018
Public-private partnerships:				
Kelowna and Vernon Hospitals Project, 30 year contract to August 2042 with Infusion Health KVH General Partnership, payable in monthly payments including annual interest of 7.62%, in accordance with the project agreement terms	$	129,347	$	132,985
Interior Heart & Surgical Centre Project, 30 year contract to December 2044 with Plenary Health, payable in monthly payments including annual interest of 5.93%, in accordance with the project agreement terms		73,641		74,823
Penticton Hospital Tower Project, 30 year contract to December 2048 with EllisDon, payable in monthly payments including annual interest of 4.61%, in accordance with the project agreement terms		138,001		101,860
Royal Inland Hospital Tower Project, 30 year contract to February 2052 with EllisDon. Monthly payments include annual interest of 4.88% to commence upon substantial completion of the project in accordance with the terms of the project agreement.		20,193		-
	$	361,182	$	309,668

Principal repayments on debt for the years ending March 31 are required as follows:

2020	$	6,742
2021		6,833
2022		7,483
2023		8,328
2024		9,216
Thereafter		322,580
	$	361,182

(Tabular amounts expressed in thousands of dollars)

7. 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 early measurement date of December 31, 2018 and extrapolated to March 31, 2019 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2019 are derived. The next required valuation will be as of December 31, 2019.

Information about retirement allowance benefits is as follows:

	2019	2018
Accrued benefit obligation:		
Severance benefits	$ 61,177	$ 58,982
Sick leave benefits	42,438	42,963
	103,615	101,945
Unamortized actuarial gain	14,906	14,084
Accrued benefit liability	$ 118,521	$ 116,029

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

	2019	2018
Accued benefit liability, beginning of year	$ 116,029	$ 115,635
Net benefit expense:		
Current service cost	7,611	7,533
Interest expense	4,176	4,046
Amortization of actuarial gain	(1,828)	(1,576)
Net benefit expense	9,959	10,003
Benefits paid	(7,467)	(9,609)
Accrued benefit liability, end of year	$ 118,521	$ 116,029

(Tabular amounts expressed in thousands of dollars)

7. Employee benefits (continued):

(a) Retirement allowance (continued):

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

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

(b) Healthcare Benefit Trust benefits:

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

The 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 respect to all benefits. Accordingly, the Authority's net trust liabilities are reflected in these financial statements.

The Authority's liabilities as of March 31, 2019 are based on the actuarial valuation at December 31, 2018, extrapolated to March 31, 2019. The next expected valuation is as of December 31, 2019.

(Tabular amounts expressed in thousands of dollars)

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2019	2018
Fair value of plan assets	$ 171,838	$ 171,982
Accrued benefit obligation	179,818	174,250
Net liability	$ 7,980	$ 2,268

	2019	2018
Long-term disability and health and welfare benefits liability, beginning of year:	$ 2,268	$ 16,173
Net benefit expense:		
Long-term disability expense	18,719	20,260
Health and welfare benefit expense	25,443	20,035
Interest expense	9,838	9,634
Actuarial loss (gain)	24,501	(5,705)
Employee payments	(2,156)	(1,022)
Expected return on assets	(10,141)	(8,912)
Net benefit expense	66,204	34,290
Contributions to the plan	(60,492)	(48,195)
Long-term disability and health and welfare benefits liability, end of year	$ 7,980	$ 2,268
Benefits paid to claimants (calendar year):	$ 60,489	$ 64,970

Plan assets consist of:

Calendar year ending December 31:	2018	2017
Debt securities	39.6%	42.2%
Foreign equities	34.2%	34.4%
Equity securities and other	26.2%	23.4%
Total	100.00%	100.0%

(Tabular amounts expressed in thousands of dollars)

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability benefits (continued):

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

	2019	2018
Accrued benefit (asset) obligation as at March 31:		
Discount rate	5.80%	5.80%
Rate of benefit increase	1.50%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.80%
Rate of compensation increase	1.50%	1.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.80%

Actual rate of return on plan assets was 0.53% (2018 - 7.58%)

(ii) Other Trust benefits:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2019, the Authority made contributions to these joint benefits trusts totaling $41.7 million (2018 - $38.3 million).

7. Employee benefits (continued):

(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 pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $87.2 million (2018 - $83.4 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2015 indicated a surplus of approximately $2,224 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 197,000 active members, of which approximately 18,126 are employees of the Authority (2018 – 17,766). The next expected actuarial valuation will be as of December 31, 2018 with results available in the fall of 2019.

Employer contributions to the Public Service Pension Plan of $0.8 million (2018 - $0.9 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2017 indicated a surplus of approximately $1,896.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 62,000 active members, of which approximately 125 are employees of the Authority (2018 – 145). The next expected actuarial valuation will be as of March 31, 2020 with results available in early 2021.

(Tabular amounts expressed in thousands of dollars)

8. Deferred capital contributions:

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

	2019	2018
Deferred capital contributions, beginning of year	$ 1,087,569	$ 1,047,709
Capital contributions received:		
Ministry of Health	42,419	36,023
Regional hospital districts	60,537	67,240
Foundations and auxiliaries	25,665	13,064
Other	2,979	3,606
	131,600	119,933
Amortization for the year	(79,777)	(80,073)
Deferred capital contributions, end of year	$ 1,139,392	$ 1,087,569

Deferred capital contributions are comprised of the following:

	2019	2018
Contributions used to purchase tangible capital assets	$ 1,101,919	$ 1,039,816
Unspent contributions	37,473	47,753
	$ 1,139,392	$ 1,087,569

(Tabular amounts expressed in thousands of dollars)

9. Tangible capital assets:

Cost	2018	Additions	Disposals	Transfers	2019
Land	$ 43,070	$	$	$ 806	$ 43,876
Land improvements	26,445		(11)	161	26,595
Buildings	1,746,476	370	(1,716)	268,158	2,013,288
Equipment	649,953	20,196	(19,587)	39,895	690,457
Information systems	98,056	125		8,694	106,875
Leasehold improvements	27,049		(14)	290	27,325
Vehicles	8,771	1,306	(803)	2	9,276
Construction in progress	184,248	132,517		(270,938)	45,827
Equipment and information systems in progress	36,470	47,811		(47,068)	37,213
Total	$ 2,820,538	$ 202,325	$ (22,131)	$ -	$ 3,000,732

Accumulated amortization	2018	Amortization	Disposals	Transfers	2019
Land improvements	$ 17,828	$ 1,164	$ (7)	$ 1	$ 18,986
Buildings	747,789	48,947	(1,716)		795,020
Equipment	506,017	33,043	(19,461)	(2)	519,597
Information systems	74,834	9,258			84,092
Leasehold improvements	13,049	1,268	(10)		14,307
Vehicles	7,163	855	(802)	1	7,217
Total	$ 1,366,680	$ 94,535	$ (21,996)	$ -	$ 1,439,219

Cost	2017	Additions	Disposals	Transfers	2018
Land	$ 43,150	$ -	$ (56)	$ (24)	$ 43,070
Land improvements	26,289	15	(86)	227	26,445
Buildings	1,695,375	697	(2,312)	52,716	1,746,476
Equipment	632,747	16,813	(19,365)	19,758	649,953
Information systems	85,246	102	(251)	12,959	98,056
Leasehold improvements	23,040	113	-	3,896	27,049
Vehicles	8,748	683	(1,021)	361	8,771
Construction in progress	103,790	141,528	-	(61,070)	184,248
Equipment and information systems in progress	32,259	33,034	-	(28,823)	36,470
Total	$ 2,650,644	$ 192,985	$ (23,091)	$ -	$ 2,820,538

(Tabular amounts expressed in thousands of dollars)

9. Tangible capital assets (continued):

Accumulated amortization	2017	Amortization	Disposals	Transfers	2018
Land improvements	$ 16,661	$ 1,224	$ (57)	$	$ 17,828
Buildings	701,003	48,929	(2,144)	1	747,789
Equipment	491,508	32,385	(17,875)	(1)	506,017
Information systems	67,862	7,223	(251)		74,834
Leasehold improvements	11,802	1,247	-		13,049
Vehicles	7,219	944	(1,000)		7,163
Total	$ 1,296,055	$ 91,952	$ (21,327)	$ -	$ 1,366,680

Net book value	2019	2018
Land	$ 43,876	$ 43,070
Land improvements	7,609	8,617
Buildings	1,218,268	998,687
Equipment	170,860	143,936
Information systems	22,783	23,222
Leasehold improvements	13,018	14,000
Vehicles	2,059	1,608
Construction in progress	45,827	184,248
Equipment and information systems in progress	37,213	36,470
Total	$ 1,561,513	$ 1,453,858

During the year, $4.5 million interest (2018 - $4.0 million) has been capitalized to construction in progress.

Tangible capital assets are funded as follows:

	2019	2018
Deferred capital contributions	$ 1,101,919	$ 1,039,816
Debt	361,182	309,668
Internally funded	98,412	104,374
Tangible capital assets	$ 1,561,513	$ 1,453,858

(Tabular amounts expressed in thousands of dollars)

10. Inventories held for use:

	2019	2018
Medical supplies	$ 3,779	$ 4,090
Pharmaceuticals	2,465	2,184
	$ 6,244	$ 6,274

11. Prepaid expenses:

	2019	2018
Contracted services	$ 1,381	$ 957
Maintenance contracts	5,447	6,070
Rent/leases	349	357
Other	576	423
	$ 7,753	$ 7,807

12. Commitments and contingencies:

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

As at March 31, 2019, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of $284.7 million (2018 – $95.3 million).

(b) Contractual obligations:

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

	2020	2021	2022	2023	2024	Thereafter
Service contracts	$96,810	$62,752	$27,259	$13,634	$2,472	$819

(Tabular amounts expressed in thousands of dollars)

12. 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 for the years ending March 31 are as follows:

2020	$	218,809
2021		45,341
2022		45,341
2023		45,341
2024		45,341
Thereafter		180,798
	$	580,971

(d) Operating leases:

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

2020	$	14,287
2021		13,507
2022		12,118
2023		11,664
2024		7,277
Thereafter		284,923
	$	343,776

(Tabular amounts expressed in thousands of dollars)

12. Commitments and contingencies (continued):

(e) Public-private partnerships commitments:

The Authority has entered into multiple-year P3 contracts to design, build, finance, and maintain the Kelowna and Vernon Hospitals' project, the Interior Heart and Surgical Centre project and the Penticton Regional Hospital project. 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. As construction progresses the asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 6. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Capital and financing	FM and lifecycle	Total payments
2020	$ 96,565	$ 25,189	$ 121,754
2021	158,948	26,877	185,825
2022	81,749	26,693	108,442
2023	28,608	28,051	56,659
2024	28,968	29,091	58,059
Thereafter	572,959	1,003,338	1,576,297
	$ 967,797	$ 1,139,239	$ 2,107,036

(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, 2019, 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 for based on management's best estimate of the ultimate settlement.

(g) Asset retirement obligations:

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. At this time, the Authority has not recognized these asset retirement obligations as there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

(Tabular amounts expressed in thousands of dollars)

13. Statement of operations:

(a) Patients, clients and residents revenue:

	2019	2018
Long-term and extended care	$ 45,182	$ 44,728
Non-residents of BC	28,159	27,422
Non-residents of Canada	14,579	13,595
WorkSafe BC	12,977	12,302
Residents of BC self pay	10,084	9,187
Federal government	1,411	1,658
Preferred accommodation	569	671
Other	1,227	1,189
	$ 114,188	$ 110,752

(b) Other contributions:

	2019	2018
Provincial Health Services Authority	$ 34,311	$ 31,912
Other BC government reporting entities	2,297	2,452
Other	1,003	1,049
	$ 37,611	$ 35,413

(c) Other revenues:

	2019	2018
Compensation recoveries	$ 12,760	$ 11,331
Parking	6,036	5,328
Other	14,684	13,333
	$ 33,480	$ 29,992

(Tabular amounts expressed in thousands of dollars)

13. Statement of operations (continued):

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

	2019	2018
Compensation:		
Compensation	$ 1,219,347	$ 1,158,827
Employee Benefits	276,591	263,616
(Gain) loss on event-driven employee benefits	24,501	(5,705)
	1,520,439	1,416,738
Referred-out and contracted services:		
Health and support services providers	345,456	322,147
Other health authorities and BC government reporting entities	17,713	17,374
	363,169	339,521
Supplies:		
Medical and surgical	94,887	87,845
Drugs and medical gases	59,925	58,313
Diagnostic	26,455	23,849
Food and dietary	16,730	15,903
Printing, stationery and office	6,397	5,922
Laundry and linen	4,430	4,477
Housekeeping	5,902	5,769
Other	12,543	12,461
	227,269	214,539
Amortization of tangible capital assets	94,535	91,952
Equipment and building services:		
Equipment	38,013	31,555
Plant operation (utilities)	17,726	19,656
Rent	10,361	10,354
Building and ground service contracts	9,672	10,102
Other	6,131	6,139
	81,903	77,806
Sundry:		
Patient transport	9,528	8,765
Travel	10,081	9,428
Communication and data processing	5,108	4,977
Professional fees	4,898	3,562
Other	22,514	21,102
	52,129	47,834
Interest on debt	16,535	15,083
	$ 2,355,979	$ 2,203,473

(Tabular amounts expressed in thousands of dollars)

14. Supplementary cash flow information:

(a) Net change in non-cash operating items:

		2019		2018
Accounts receivable	$	(29,601)	$	(6,519)
Accounts payable and accrued liabilities		13,651		16,040
Deferred operating contributions		(843)		(3,655)
Replacement reserves		-		(987)
Inventories held for use		30		(45)
Prepaid expenses		54		3,423
Other non-cash		-		46
	$	(16,709)	$	8,303

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of tangible capital assets on the statement of cash flows.

		2019		2018
Acquisition of tangible capital assets (note 9)	$	202,325	$	192,985
Construction financed with debt		(56,958)		(63,060)
	$	145,367	$	129,925

15. Related parties and other agencies:

The following are types of related parties. Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated.

(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.

The Authority contracts certain services to Provincial Health Services Authority (PHSA), including accounts payable, tech services and supply chain. The expense recorded for contracted services with PHSA in 2019 was $13.1 million (2018 - $13.0 million).

15. Related parties and other agencies (continued):

(a) BC Government reporting entities (continued):

The Authority contracts clinical and other services from government reporting entities (GRE's) including cancer programs, renal services, and other programs. The revenue recorded for the recoveries from GRE's in 2019 was $12.8 million (2018 - $11.8 million). As at March 31, the Authority has accounts receivable of $16.9 million (2018 - $14.1 million) and accounts payable of $14.3 million (2018 - $10.8 million) to other GRE's for these services.

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. Other transactions have been recorded at fair value and are not disclosed.

(b) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team and their close family members or entities controlled by them to be related parties based on the PS 2200 definition. A declaration is completed by key management personnel annually to confirm whether there are any related party transactions between themselves, their close family members, or entities under their control and the Authority. No transactions were reported that required disclosure.

(c) Foundations and auxiliaries:

There are 68 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations within the Authority area. The foundations and auxiliaries are separate legal entities incorporated under the *Society 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. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted $27.2 million (2018 - $14.7 million) to various facilities within the Authority.

16. 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.

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents and accounts receivable. 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, 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, 2019, the amount of allowance for doubtful accounts was $16.7 million (2018 - $15.8 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.

(b) Liquidity risk

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.

(Tabular amounts expressed in thousands of dollars)

16. Risk management (continued):

(b) Liquidity risk (continued):

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.

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

2019 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 196,563	$ -	$ -	$ 196,563
Accounts receivable	98,291	-	-	98,291
Total financial assets	$ 294,854	$ -	$ -	$ 294,854

2019 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 221,752	$ 194	$ -	$ 221,946
Debt	6,742	31,862	322,578	361,182
Total financial liabilities	$ 228,494	$ 32,056	$ 322,578	$ 583,128

2018 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 234,038	$ -	$ -	$ 234,038
Accounts receivable	68,690	-	-	68,690
Total financial assets	$ 302,728	$ -	$ -	$ 302,728

2018 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 208,206	$ 99	$ -	$ 208,305
Debt	4,820	29,407	275,441	309,668
Total financial liabilities	$ 213,026	$ 29,506	$ 275,441	$ 517,973

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

16. Risk management (continued):

(c) Foreign exchange risk

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 dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in USA dollars, Great Britain pounds and other currencies. Currencies most contributing to the foreign exchange risk is the US dollar.

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

	2019	2018
US dollar per Canadian dollar	$ 0.748	$ 0.776

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes 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.

(Tabular amounts expressed in thousands of dollars)

17. Budget:

The original budget, as approved by the Board on June 19, 2018, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The changes are as follows:

	Board Approved Plan	Reallocations	Restated Budget
Revenues:			
Provincial government sources	$ 2,136,983	$ (2,136,983)	$ -
Non-provincial government sources	183,880	(183,880)	-
Ministry of Health contributions	-	1,857,122	1,857,122
Medical Services Plan	-	156,996	156,996
Patients, clients and residents	-	114,645	114,645
Amortization	-	79,086	79,086
Recoveries from other Health Authorities and	-		
government reporting entities	-	47,815	47,815
Other contributions	-	33,562	33,562
Other	-	29,478	29,478
Investment Income	-	2,159	2,159
	2,320,863	-	2,320,863
Expenses:			
Acute	1,278,375	-	1,278,375
Residential care	414,249	-	414,249
Community care	240,658	-	240,658
Corporate	165,701	-	165,701
Mental health and substance use	157,521	-	157,521
Population health and wellness	64,359	-	64,359
	2,320,863	-	2,320,863
Annual Surplus	$ -	$ -	$ -

(Tabular amounts expressed in thousands of dollars)

18. Contractual Rights:

Interior Health has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending March 31 are as follows:

2020	$	736
2021		754
2022		740
	$	2,230

19. Comparative Figures

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