

Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

Year ended March 31, 2020



Statement of Management Responsibility

The financial statements of the Vancouver Island Health Authority (the "Authority") for the year ended March 31, 2020 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 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 Finance and Audit Committee.

The external auditors, KPMG LLP, 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 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 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
President and Chief Executive Officer



Kim Kerrone
Vice President - Chief Financial Officer

May 20, 2020



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INDEPENDENT AUDITORS' 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 Entity), which comprise:

- the statement of financial position as at March 31, 2020
- 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, 2020 of the Entity 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.

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 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 unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 20, 2020

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

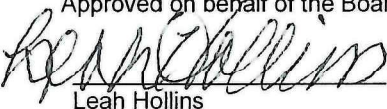
As at March 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents (note 2)	\$ 240,954	\$ 198,932
Accounts receivable (note 3)	81,408	82,516
Inventories held for sale	881	954
Long-term disability and health and welfare asset (note 8(b)(i))	32,595	21,931
	<u>355,838</u>	<u>304,333</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	254,812	220,430
Deferred operating contributions (note 5)	2,912	3,359
Deferred research and designated contributions (note 6)	2,536	2,789
Debt (note 7)	394,904	401,663
Retirement allowance (note 8(a))	119,780	118,644
Replacement reserves (note 9)	15	18
Deferred capital contributions (note 10)	1,157,581	1,163,155
	<u>1,932,540</u>	<u>1,910,058</u>
Net debt	<u>(1,576,702)</u>	<u>(1,605,725)</u>
Non-financial assets		
Tangible capital assets (note 11)	1,472,044	1,500,679
Inventories held for use	18,839	17,310
Prepaid expenses	22,343	23,771
Restricted assets	231	231
	<u>1,513,457</u>	<u>1,541,991</u>
Accumulated deficit	<u>\$ (63,245)</u>	<u>\$ (63,734)</u>

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:


Leah Hollins Board Chair


Alana Nast Finance & Audit Committee Chair

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2020, with comparative information for 2019

	2020 Budget (note 1(n))	2020	2019
Revenues:			
Ministry of Health contributions	\$ 2,171,848	\$ 2,238,099	\$ 2,047,321
Medical Services Plan	180,271	183,345	175,823
Recoveries from other health authorities and BC government reporting entities	121,774	135,076	125,362
Amortization of deferred capital contributions (note 10)	87,904	85,059	84,814
Patients, clients and residents (note 13(a))	65,515	72,562	66,584
Other (note 13(b))	40,806	50,297	43,331
Other contributions (note 13(c))	5,941	4,983	4,872
Investment income	1,536	1,350	1,588
	2,675,595	2,770,771	2,549,695
Expenses (note 13(d)):			
Acute care	1,440,463	1,529,362	1,428,524
Long-term care	435,966	434,415	408,461
Community care	321,147	334,290	284,196
Mental health and substance use	202,437	207,487	190,684
Corporate	206,530	195,033	187,047
Population health and wellness	69,052	69,695	64,575
	2,675,595	2,770,282	2,563,487
Annual surplus/(deficit)	-	489	(13,792)
Accumulated deficit, beginning of year	(63,734)	(63,734)	(49,942)
Accumulated deficit, end of year	\$ (63,734)	\$ (63,245)	\$ (63,734)

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Changes in Net Debt

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020 Budget (note 1(n))	2020	2019
Annual surplus/(deficit)	\$ -	\$ 489	\$ (13,792)
Acquisition of tangible capital assets	(118,413)	(74,520)	(71,387)
Amortization of tangible capital assets	105,909	103,155	103,951
	(12,504)	29,124	18,772
Acquisition of inventories held for use	-	(175,665)	(158,659)
Acquisition of prepaid expenses	-	(43,869)	(47,805)
Consumption of inventories held for use	-	174,136	158,872
Use of prepaid expenses	-	45,297	46,815
	-	(101)	(777)
Decrease/(increase) in net debt	(12,504)	29,023	17,995
Net debt, beginning of year	(1,605,725)	(1,605,725)	(1,623,720)
Net debt, end of year	(1,618,229) \$	(1,576,702) \$	(1,605,725)

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from (used in):		
Operating activities:		
Annual surplus/(deficit) from operations	\$ 489	\$ (13,792)
Items not involving cash:		
Amortization of deferred capital contributions	(85,059)	(84,814)
Amortization of tangible capital assets	103,155	103,951
Retirement allowance expense	10,677	9,322
Long-term disability benefits expense	50,193	52,931
Interest income	(1,350)	(1,588)
Interest expense	26,482	26,905
	<u>104,587</u>	<u>92,915</u>
Net change in non-cash operating items (note 14)	34,759	(10,875)
Retirement allowance benefits paid	(9,541)	(9,489)
Long-term disability benefits contributions	(60,857)	(50,322)
Interest received	1,350	1,588
Interest paid	(26,482)	(26,905)
Net change in cash from operating activities	<u>43,816</u>	<u>(3,088)</u>
Capital activities:		
Acquisition of tangible capital assets	(74,520)	(71,387)
Net change in cash from capital activities	<u>(74,520)</u>	<u>(71,387)</u>
Financing activities:		
Repayment of debt	(6,759)	(6,337)
Capital contributions	79,485	65,816
Net change in cash from financing activities	<u>72,726</u>	<u>59,479</u>
Increase (decrease) in cash and cash equivalents	42,022	(14,996)
Cash and cash equivalents, beginning of year	198,932	213,928
Cash and cash equivalents, end of year	<u>\$ 240,954</u>	<u>\$ 198,932</u>

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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 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 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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) Affiliated organizations:

Within the Authority area, there are two denominational health care organizations, Mount St. Mary Hospital and Providence Residential and Community Care Services Society (collectively the "Affiliates"), which have the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. These Affiliates are separate legal entities with separate boards of directors and, accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of these Affiliates are recorded as Ministry of Health contributions, and funds transferred to the Affiliates are recorded as expenses in the statement of operations.

(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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) 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.

(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 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 benefits is 11 years (2019 – 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.

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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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.

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.

Significant 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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 cost less any amount for valuation allowance. 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.

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 liabilities.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(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 2019/2020 Budget approved by the Board of Directors on September 18, 2019 and published in the Authority’s Service Plan. The budget is reflected in the statement of operations and accumulated deficit and the statement of changes in net debt.

(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 – 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, 2022. Management is in the process of assessing the impact of adoption of PS 3400 on the financial statements of the Authority.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

2. Cash and cash equivalents:

	2020	2019
Cash and cash equivalents	\$ 240,954	\$ 198,932
Less amounts restricted for:		
Capital purposes	(94,124)	(89,159)
P3 projects	(25,729)	(21,373)
Future operating purposes	(2,912)	(3,359)
Research and designated purposes	(2,536)	(2,789)
Replacement reserves	(15)	(18)
Patient comfort funds	(334)	(331)
Amounts internally restricted	(1,567)	(1,334)
Unrestricted cash and cash equivalents	\$ 113,737	\$ 80,569

3. Accounts receivable:

	2020	2019
Medical Services Plan	\$ 17,603	\$ 18,669
Other health authorities and BC government reporting entities	20,310	18,642
Ministry of Health	3,997	10,655
Patients, clients and residents	21,103	16,636
Regional Hospital Districts	5,717	4,610
Foundations and auxiliaries	4,457	5,652
Federal government	1,898	3,220
WorkSafe BC	1,377	1,735
Other	9,257	6,112
	85,719	85,931
Allowance for doubtful accounts	(4,311)	(3,415)
	\$ 81,408	\$ 82,516

4. Accounts payable and accrued liabilities:

	2020	2019
Salaries and benefits payable	\$ 111,007	\$ 86,950
Trade accounts payable and accrued liabilities	70,385	67,023
Accrued vacation pay	73,420	66,457
	\$ 254,812	\$ 220,430

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

5. Deferred operating contributions:

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

	2020	2019
Deferred operating contributions, beginning of year	\$ 3,359	\$ 4,345
Contributions received during the year	2,601	1,902
Amounts recognized as revenue in the year	(3,048)	(2,888)
Deferred operating contributions, end of year	\$ 2,912	\$ 3,359

6. 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.

	2020	2019
Deferred research and designated contributions, beginning of year	\$ 2,789	\$ 2,730
Contributions received during the year	642	1,050
Amounts recognized as revenue in the year	(895)	(991)
Deferred research and designated contributions, end of year	\$ 2,536	\$ 2,789

7. Debt:

	2020	2019
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	\$ 170,439	\$ 174,302
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	223,463	226,174
	393,902	400,476
Bank loans:		
Royal Bank of Canada, payable in monthly payments of \$15, including annual interest of 2.59%, maturing October 10, 2024	806	968

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

7. Debt (continued):

	2020	2019
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	196	219
	<u>\$ 394,904</u>	<u>\$ 401,663</u>

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

2021	\$	192
2022		197
2023		202
2024		305
2025		106
	<u>\$</u>	<u>1,002</u>

Required principal repayments on P3 debt over the years ending March 31 are disclosed with public-private partnership commitments in note 12(e).

8. 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, 2019 and extrapolated to March 31, 2020 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2020 are derived.

Information about retirement allowance benefits is as follows:

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2020

8. Employee benefits (continued):

(a) Retirement allowance (continued):

	2020	2019
Accrued benefit obligation:		
Severance benefits	\$ 65,040	\$ 63,224
Sick leave benefits	45,004	42,992
	<u>110,044</u>	<u>106,216</u>
Unamortized actuarial gain	9,736	12,428
Accrued benefit liability	<u>\$ 119,780</u>	<u>\$ 118,644</u>

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

	2020	2019
Accrued benefit liability, beginning of year	\$ 118,644	\$ 118,811
Net benefit expense:		
Current service cost	7,581	7,355
Interest expense	4,218	4,203
Amortization of actuarial gain	(2,162)	(2,236)
Net benefit expense:	<u>9,637</u>	<u>9,322</u>
Benefits paid	(9,541)	(9,489)
Employee Transfer (note 17)	1,040	-
Accrued benefit liability, end of year	<u>\$ 119,780</u>	<u>\$ 118,644</u>

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

	2020	2019
Accrued benefit obligation, as at March 31:		
Discount rate	3.79%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	4.01%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	<u>2.00%</u>	<u>2.00%</u>

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

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the 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 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, 2020 is based on the actuarial valuation at December 31, 2019, extrapolated to March 31, 2020. The net asset as of March 31, 2019 is based on the actuarial valuation at December 31, 2018 and extrapolated to March 31, 2019.

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

	2020	2019
Fair value of plan assets	\$ 206,210	\$ 182,523
Accrued benefit obligation	173,615	160,592
Net liability/(asset)	\$ (32,595)	\$ (21,931)
	2020	2019
Long-term disability and health and welfare benefits liability/(asset), beginning of year	\$ (21,931)	\$ (24,540)
Net benefit expense:		
Long term disability expense	20,144	18,955
Health and welfare benefit expense	27,882	25,174
Interest expense	9,107	9,227
Actuarial loss	4,316	12,559
Employee payments	(639)	(2,222)
Expected return on assets	(10,617)	(10,762)
Net benefit expense	50,193	52,931
Contributions to the plan	(59,932)	(50,218)
Transfer of health and welfare benefits net (surplus)/deficit	(925)	(104)
Long-term disability and health and welfare benefits liability/(asset), end of year	\$ (32,595)	\$ (21,931)
Benefits paid to claimants	\$ (57,833)	\$ (55,254)

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

8. 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, 2019	December 31, 2018
Debt securities	39.20%	39.60%
Foreign equities	35.50%	34.20%
Equity securities and other	25.30%	26.20%
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:

	2020	2019
Accrued benefit liability as at March 31:		
Discount rate	5.60%	5.80%
Benefit Indexing (% per annum)	2.00%	2.00%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.80%
Rate of Compensation Increase		
Benefit Indexing (% per annum)	2.00%	1.50%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.80%

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 12.40% for the year ended December 31, 2019 (December 31, 2018 – 0.53%).

(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, 2020, the Authority made contributions to these joint benefit trusts totalling \$46.6 million (2019 - \$40.6 million).

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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

Employer contributions to the Municipal Pension Plan of \$96.0 million (2019 \$88.0 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, 2018, indicated a funding surplus of approximately \$2,866 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 205,000 active members of which approximately 19,100 are employees of the Authority. The next expected valuation date will be as of December 31, 2021 with results available in 2022.

Employer contributions to the Public Service Plan of \$1.2 million (2019 \$1.3 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, 2017 indicated a surplus of approximately \$1,896 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 64,000 active members, of which approximately 250 are employees of the Authority. The Authority's next actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

9. Replacement reserves:

Under the terms of mortgage agreements with CMHC and B.C. Housing Management Commission ("B.C. Housing"), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC or B.C. Housing, respectively. The Authority complies with these provisions.

The replacement reserves by the facility are as follows:

	2020	2019
Dogwood Manor	\$ 15	\$ 18

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

10. Deferred capital contributions:

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

	2020	2019
Deferred capital contributions, beginning of year	\$ 1,163,155	\$ 1,182,153
Capital contributions received:		
Ministry of Health	45,105	28,841
Regional hospital districts	18,476	18,724
Foundations and auxiliaries	10,352	11,778
Other	5,552	6,473
	79,485	65,816
Amortization for the year	(85,059)	(84,814)
Deferred capital contributions, end of year	\$ 1,157,581	\$ 1,163,155

Deferred capital contributions are comprised of the following:

	2020	2019
Contributions used to purchase tangible capital assets	\$ 1,063,457	\$ 1,073,996
Unspent contributions	94,124	89,159
	\$ 1,157,581	\$ 1,163,155

11. Tangible capital assets:

Cost	2019	Additions	Disposals	Transfers	2020
Land	\$ 20,183	\$ -	\$ -	\$ -	\$ 20,183
Land improvements	19,000	-	-	3,140	22,140
Buildings	1,766,638	2,917	-	61,585	1,831,140
Equipment	517,548	7,495	(20,445)	10,611	515,209
Information systems	224,181	392	-	13,759	238,332
Leasehold improvements	25,534	17	-	1,349	26,900
Construction in progress	112,834	32,415	-	(66,150)	79,099
Equipment and Information systems in progress	51,480	31,284	-	(24,294)	58,470
Total	\$ 2,737,398	\$ 74,520	\$ (20,445)	\$ -	\$ 2,791,473

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

11. Tangible capital assets (continued):

Accumulated amortization	2019	Amortization	Disposals/ Transfers	2020
Land improvements	\$ 14,940	\$ 819	\$ -	\$ 15,759
Buildings	693,909	51,051	-	744,960
Equipment	378,835	31,555	(20,445)	389,945
Information systems	133,461	18,905	-	152,366
Leasehold improvements	15,574	825	-	16,399
Total	\$ 1,236,719	\$ 103,155	\$ (20,445)	\$ 1,319,429

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 20,183	\$ -	\$ -	\$ -	\$ 20,183
Land improvements	19,014	-	(63)	49	19,000
Buildings	1,748,682	659	(1,165)	18,462	1,766,638
Equipment	462,226	12,104	(2,798)	46,016	517,548
Information systems	173,553	532	(94)	50,190	224,181
Leasehold improvements	25,419	-	(53)	168	25,534
Construction in progress	103,997	36,418	-	(27,581)	112,834
Equipment and Information systems in progress	117,110	21,674	-	(87,304)	51,480
Total	\$ 2,670,184	\$ 71,387	\$ (4,173)	\$ -	\$ 2,737,398

Accumulated amortization	2018	Amortization	Disposals/ Transfers	2019
Land improvements	\$ 14,332	\$ 671	\$ (63)	\$ 14,940
Buildings	639,123	55,951	(1,165)	693,909
Equipment	349,489	32,137	(2,791)	378,835
Information systems	119,097	14,465	(101)	133,461
Leasehold improvements	14,900	727	(53)	15,574
Total	\$ 1,136,941	\$ 103,951	\$ (4,173)	\$ 1,236,719

Net book value	2020	2019
Land	\$ 20,183	\$ 20,183
Land improvements	6,381	4,060
Buildings	1,086,180	1,072,729
Equipment	125,264	138,713
Information systems	85,966	90,720
Leasehold improvements	10,501	9,960
Construction projects in progress	79,099	112,834
Equipment and information systems in progress	58,470	51,480
Total	\$ 1,472,044	\$ 1,500,679

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

11. Tangible capital assets (continued):

During the year nil (2019 - nil) of interest was capitalized to construction projects in progress.

Tangible capital assets are funded as follows:

	2020	2019
Deferred capital contributions	\$ 1,063,457	\$ 1,073,996
Debt	368,171	379,103
Internally funded	40,416	47,580
Tangible capital assets	\$ 1,472,044	\$ 1,500,679

12. Commitments and contingencies:

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

As at March 31, 2020, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$21.1 million (2019 - \$2.8 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 are as follows:

	Contract terms	2021	2022	2023	2024	2025
Service contracts	2021-2025	\$ 90,415	\$ 59,064	\$ 10,767	\$ 3,881	\$ 1,400

- (c) Long-term care contracts:

The Authority has entered into contracts with 41 service providers to provide long-term care services. The aggregate annual commitments for these contracts are as follows:

2021	\$ 253,531
2022	152,134
2023	148,449
2024	147,263
2025	146,868
Thereafter	1,356,788
	\$ 2,205,033

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

12. Commitments and contingencies (continued):

(d) Operating leases:

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

2021	\$	26,332
2022		20,980
2023		16,348
2024		11,994
2025		8,377
Thereafter		71,405
	\$	155,436

(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 7. Facilities management and lifecycle 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
2021	\$ 33,026	\$ 19,932	\$ 52,958
2022	33,023	21,082	54,105
2023	33,020	20,997	54,017
2024	33,017	21,367	54,384
2025	33,014	22,796	55,810
Thereafter	634,784	679,585	1,314,369
	\$ 799,884	\$ 785,759	\$ 1,585,643

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

2021	\$	7,020
2022		7,495
2023		8,002
2024		8,544
2025		9,123
Thereafter		353,718
	\$	393,902

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

12. Commitments and contingencies (continued):

(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, 2020, 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) Asset retirement obligations:

The Authority has identified certain asset retirement obligations relating to asbestos removal in several of its facilities. 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 is undetermined and therefore the fair value cannot be reasonably estimated. The asset retirement obligations will be recognized as a liability in the period when the project is approved and the fair value can be reasonably estimated.

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

The Authority agreed to reimburse SJGH for ongoing maintenance of the vacant facilities as outlined in the Asset Transfer Agreement.

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

13. Statement of operations:

(a) Patients, clients and residents revenues:

	2020	2019
Long-term and extended care	\$ 36,795	\$ 35,897
WorkSafe BC	8,649	7,745
Non-residents of Canada	12,031	10,862
Residents of BC self pay	9,482	5,437
Federal government	3,037	3,870
Preferred accommodation	1,005	1,193
Other	1,563	1,580
	<hr/>	<hr/>
	\$ 72,562	\$ 66,584

(b) Other revenues:

	2020	2019
Recoveries from sales of goods and services	\$ 36,592	\$ 29,480
Parking	8,215	8,159
Other	5,490	5,692
	<hr/>	<hr/>
	\$ 50,297	\$ 43,331

(c) Other contributions:

	2020	2019
Federal government	\$ 148	\$ 201
Other	4,835	4,671
	<hr/>	<hr/>
	\$ 4,983	\$ 4,872

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

13. Statement of operations (continued):

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

	2020	2019
Compensation:		
Compensation	\$ 1,402,207	\$ 1,277,467
Employee benefits	323,587	278,418
Loss on event driven employee benefits	4,316	12,559
	<u>1,730,110</u>	<u>1,568,444</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	36,684	34,088
Health and support services providers	450,784	432,424
	<u>487,468</u>	<u>466,512</u>
Supplies:		
Medical and surgical	104,781	97,902
Drugs and medical gases	67,694	60,303
Diagnostic	27,217	25,577
Food and dietary	10,594	10,072
Laundry and linen	9,322	9,016
Printing, stationary and office	4,351	4,437
Housekeeping	3,645	3,248
Other	16,600	16,508
	<u>244,204</u>	<u>227,063</u>
Amortization of tangible capital assets	103,155	103,951
Equipment and building services:		
Equipment	74,141	72,124
Plant operations (utilities)	17,574	19,220
Rent	19,346	17,724
Building and ground service contracts	9,538	9,546
Other	9,695	5,473
	<u>130,294</u>	<u>124,087</u>
Sundry:		
Travel	10,799	10,656
Communication and data processing	7,190	6,161
Professional fees	5,458	5,401
Patient transport	5,628	5,130
Other	19,494	19,177
	<u>48,569</u>	<u>46,525</u>
Interest on debt	26,482	26,905
	<u>\$ 2,770,282</u>	<u>\$ 2,563,487</u>

VANCOUVER ISLAND HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

14. Supplementary cash flow information:

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

	2020	2019
Accounts receivable	\$ 1,108	\$ (11,794)
Inventories held for sale	73	27
Accounts payable and accrued liabilities	34,382	2,597
Deferred operating contributions	(447)	(986)
Deferred research and designated contributions	(253)	59
Replacement reserves	(3)	(1)
Inventories held for use	(1,529)	213
Prepaid expenses	1,428	(990)
	<hr/> \$ 34,759	<hr/> \$ (10,875)

15. 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. Identified differences will be shown as a table within this note. The absence of a table indicates that no significant differences have been identified.

- (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.

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Year ended March 31, 2020

15. Related parties and other agencies (continued):

(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 \$9.1 million (2019 - \$10.5 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, 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, 2020, the amount of allowance for doubtful accounts was \$4.3 million (2019 - \$3.4 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, 2020, the following accounts receivable were due but not impaired:

	2020		2019
Current	\$ 39,740	\$	39,984
30 days	810		1,073
60 days	62		207
90 days	18		1,033
Over 120 days	1,280		5,669
	\$ 41,910	\$	47,966

VANCOUVER ISLAND HEALTH AUTHORITY

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Year ended March 31, 2020

16. Risk management (continued):

(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.

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.

2020 Financial assets		Up to 1 year		1 to 5 years		Over 5 years		Total
Cash and cash equivalents	\$	240,954	\$	-	\$	-	\$	240,954
Accounts receivable		71,881		8,716		811		81,408
Total financial assets	\$	312,835	\$	8,716	\$	811	\$	322,362

2020 Financial liabilities		Up to 1 year		1 to 5 years		Over 5 years		Total
Accounts payable and accrued liabilities	\$	251,528	\$	3,261	\$	23	\$	254,812
Debt		7,212		33,974		353,718		394,904
Total financial liabilities	\$	258,740	\$	37,235	\$	353,741	\$	649,716

2019 Financial assets		Up to 1 year		1 to 5 years		Over 5 years		Total
Cash and cash equivalents	\$	198,932	\$	-	\$	-	\$	198,932
Accounts receivable		71,805		10,162		549		82,516
Total financial assets	\$	270,737	\$	10,162	\$	549	\$	281,448

2019 Financial liabilities		Up to 1 year		1 to 5 years		Over 5 years		Total
Accounts payable and accrued liabilities	\$	219,420	\$	1,007	\$	3	\$	220,430
Debt		7,566		31,257		362,840		401,663
Total financial liabilities	\$	226,986	\$	32,264	\$	362,843	\$	622,093

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

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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 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:

	2020	2019
US dollar per Canadian dollar	\$ 0.705	\$ 0.748

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.

17. Repatriation – Beacon Home Support:

Effective November 1, 2019, the contract for the provision of home support services with Beacon Community Association ("Beacon") in southern Vancouver Island and the Gulf Islands was concluded and not renewed. These services will now be provided directly by the Authority, consistent with the provision of home support services in northern Vancouver Island. Upon transition of services, approximately 900 Beacon Community Association employees became employees of the Authority. Delivery of home support services by the Authority aligns with the Ministry's strategic direction for the health care system of British Columbia.

18. Significant event:

In March 2020, the World Health Organization declared a global pandemic related to the disease known as COVID-19 for which the impacts are expected to be far reaching. The health authorities in BC are continuing to respond to COVID 19 by creating capacity in the system to handle the crisis. The potential impacts to the Authority for 2020/21 are being assessed, but the nature and amount is still to be determined.