

Consolidated Financial Statements of

PROVINCIAL HEALTH SERVICES AUTHORITY

Year ended March 31, 2024

Statement of Management Responsibility

The consolidated financial statements of the Provincial Health Services Authority (the “Authority”) were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated financial statements, and include amounts based upon management’s best estimates and judgments. The accounting principles of the financial reporting framework were consistently applied. In management’s opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 6, 2024.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

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

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

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



Dr. David Byres
President and Chief Executive Officer



Michael Lord
Vice President, Finance and
Chief Financial Officer

Vancouver, BC
June 6, 2024



Independent Auditor's Report

*To the Board of Directors of the Provincial Health Services Authority, and
To the Minister of Health, Province of British Columbia*

Qualified Opinion

I have audited the accompanying consolidated financial statements of the Provincial Health Services Authority (“the group”), which comprise the consolidated statement of financial position as at March 31, 2024 and the consolidated statements of operations and accumulated operating surplus, changes in net debt, cash flows, and remeasurement gains and losses 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 consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2024 and the results of its operations, change in its net debt, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

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

As described in Note 1(a) to the consolidated Financial Statements, the group’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 group 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 group’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 group’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 group made an adjustment for this departure in the current year, the liability for deferred capital contributions as at March 31, 2024 would have been lower by \$1,386 million, revenue, annual operating surplus and accumulated operating surplus would have been higher by \$1,386 million and net debt would have been lower by \$1,386 million.

Independent Auditor's Report

Provincial Health Services Authority

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 Consolidated Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the group'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 Consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group'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 group will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the group'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 consolidated 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 consolidated 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 group's internal control.

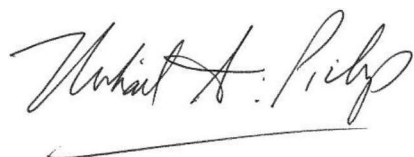
Independent Auditor's Report

Provincial Health Services Authority

- 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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

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.



Signature

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

Victoria, British Columbia, Canada
June 13, 2024

PROVINCIAL HEALTH SERVICES AUTHORITY

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

As at March 31, 2024

	2024	2023
Financial assets		
Cash and cash equivalents (note 2)	\$ 425,723	\$ 350,827
Portfolio investments (note 3)	1	-
Accounts receivable (note 4)	685,349	640,051
Inventories held for sale (note 5)	100,403	164,818
Long-term disability and health and welfare benefits (note 11(b))	19,329	-
	<u>1,230,805</u>	<u>1,155,696</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	895,188	817,442
Deferred operating contributions (note 7)	25,013	27,342
Deferred research and designated contributions (note 8)	55,311	60,229
Debt (note 10)	234,932	239,411
Retirement allowance (note 11(a))	137,446	123,647
Long-term disability and health and welfare benefits (note 11(b))	-	2,390
Deferred capital contributions (note 12)	1,617,906	1,627,327
Asset retirement obligation (note 13)	23,720	20,955
	<u>2,989,516</u>	<u>2,918,743</u>
Net debt	<u>\$ (1,758,711)</u>	<u>\$ (1,763,047)</u>
Non-financial assets		
Tangible capital assets (note 14)	\$ 1,742,644	\$ 1,770,944
Inventories held for use (note 15)	69,106	56,527
Prepaid expenses	49,217	34,639
	<u>1,860,967</u>	<u>1,862,110</u>
Accumulated surplus		
Accumulated operating surplus	\$ 102,255	\$ 99,063
Accumulated remeasurement gains	1	-
	<u>\$ 102,256</u>	<u>\$ 99,063</u>

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2024

	2024 Budget (note 1(o))	2024	2023
Revenues:			
Ministry of Health contributions	\$ 3,609,587	\$ 4,170,315	\$ 3,510,480
Recoveries from other health authorities and BC government reporting entities	749,615	818,847	775,830
Medical Services Plan	261,053	324,288	274,805
Amortization of deferred capital contributions (note 12)	136,700	143,778	125,927
Research and designated contributions (note 8)	98,273	142,448	116,179
Other contributions (note 17(a))	112,080	124,519	118,620
Other (note 17(b))	38,763	56,032	41,355
Patients, clients and residents (note 17(c))	14,980	35,561	24,635
Interest income	2,238	20,376	12,875
Pharmacare	5,550	2,529	4,082
	5,028,839	5,838,693	5,004,788
Expenses (note 17(d)):			
Acute	3,279,203	3,805,291	3,165,555
Corporate	1,007,203	1,196,196	1,311,684
Population health and wellness	228,882	318,194	277,369
Mental health and substance use	283,489	281,348	241,723
Community care	222,961	226,339	220,494
Residential care	7,101	8,133	6,762
	5,028,839	5,835,501	5,223,587
Annual operating surplus (deficit)	\$ -	\$ 3,192	\$ (218,799)
Accumulated operating surplus, beginning of year	99,063	99,063	317,862
Accumulated operating surplus, end of year	\$ 99,063	\$ 102,255	\$ 99,063

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2024

	2024 Budget (note 1(o))	2024	2023
Annual operating surplus (deficit)	\$ -	\$ 3,192	\$ (218,799)
Acquisition of tangible capital assets	(172,586)	(127,861)	(122,069)
Amortization of tangible capital assets	146,338	153,797	135,947
Revaluation of asset retirement obligation	-	(2,609)	-
Contributed tangible capital assets (note 18(b))	-	-	(23,054)
Net book value of tangible capital assets transferred to other Health Authorities	-	4,038	-
Net book value of disposed tangible capital assets	-	935	205
	(26,248)	31,492	(227,770)
Acquisition of inventories held for use	-	(593,186)	(496,135)
Acquisition of prepaid expenses	-	(216,897)	(187,075)
Consumption of inventories held for use	-	580,607	487,282
Use of prepaid expenses	-	202,319	182,904
	-	(27,157)	(13,024)
Net remeasurement gains	-	1	(1)
(Increase) decrease in net debt	(26,248)	4,336	(240,795)
Net debt, beginning of year	(1,763,047)	(1,763,047)	(1,522,252)
Net debt, end of year	\$ (1,789,295)	\$ (1,758,711)	\$ (1,763,047)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

	2024	2023
Cash flows from (used in) operating activities:		
Annual operating surplus (deficit)	\$ 3,192	\$ (218,799)
Items not involving cash:		
Amortization of deferred capital contributions	(143,778)	(125,927)
Amortization of tangible capital assets	153,797	135,947
Accretion of asset retirement obligation	530	511
Adjustment to asset retirement obligation	(374)	-
Net book value of disposed tangible capital assets	935	205
Write-down of inventories held for sale	20,155	167,481
Retirement allowance expense	18,178	16,777
Accrued benefit obligation transferred from other Health Authorities	1,735	-
Long-term disability and health and welfare benefits expense	53,111	61,608
Interest income	(20,376)	(12,875)
	87,105	24,928
Net change in non-cash operating items (note 18(a))	42,304	95,424
Retirement allowance benefits paid	(6,114)	(9,132)
Long-term disability and health and welfare benefits contributions	(74,830)	(59,112)
Interest received	20,376	11,530
Net change in cash from operating activities	68,841	63,638
Capital activities:		
Acquisition of tangible capital assets	(127,861)	(122,069)
Net change in cash used in capital activities	(127,861)	(122,069)
Financing activities:		
Repayment of debt	(4,479)	(4,117)
Capital contributions	138,395	167,951
Net change in cash from financing activities	133,916	163,834
Increase in cash and cash equivalents	74,896	105,403
Cash and cash equivalents, beginning of year	350,827	245,424
Cash and cash equivalents, end of year	\$ 425,723	\$ 350,827

Supplementary cash flow information (note 18)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

	2024	2023
Accumulated remeasurement gains, beginning of year	\$ -	\$ 1
Unrealized gain (loss) attributable to portfolio investments	1	(1)
Accumulated remeasurement gains, end of year	\$ 1	\$ -

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

Provincial Health Services Authority (the “Authority” or “PHSA”) was created under the *Society 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 not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Authority programs provide care and services through specialized hospitals and centres across BC. The Authority is also responsible for specialized health services, which are delivered across the province in collaboration with regional health authorities.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated 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 consolidated 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 that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Authority.

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

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

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

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

(b) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, revenues and expenses of Forensic Psychiatric Services Commission and BC Emergency Health Services. These entities are controlled by the Authority and are fully consolidated in these consolidated financial statements. Inter-entity transactions, balances and activities have been eliminated on consolidation.

The Authority and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Authority. The Authority's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements (note 9(a)).

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 consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (note 19(b)).

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and demand deposits.

(d) Portfolio investments:

Portfolio investments are shares of publicly traded companies. Shares of publicly traded companies are recorded at fair value. These shares were received by the Authority at \$nil cost as consideration in intellectual property licensing transactions. Any changes in fair value are recognized in the consolidated statement of remeasurement gains and losses.

(e) 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 consolidated statement of operations.

(f) 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.

(g) 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 benefit plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 12 years (2023 – 12 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits are recognized immediately.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

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

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

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

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

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Authority to pay benefits occurs.

(h) Asset retirement obligation:

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

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

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

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(h) Asset retirement obligation (continued):

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

(i) 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	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Clinical Information systems	15 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

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

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

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items. Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

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

(j) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority is funded primarily by the Province in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenue from transactions with performance obligations is recognized at a point in time or over a period of time when the Authority satisfies the individual performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor. This includes recoveries from other Health Authorities and BC government reporting entities and non-government reporting entities from sales of good and services and Patient health services. Revenues with performance obligations are measured at the transaction price.

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

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

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

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

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

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

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

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(k) Measurement uncertainty:

The preparation of consolidated 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 and inventory, the estimated useful lives of tangible capital assets, contingent liabilities, the future costs to settle employee benefit obligations, and certain amounts in public-private partnership projects.

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

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

(l) 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 and 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 consolidated statement of operations.

(m) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

Unrealized gains and losses from changes in the fair value of equity instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(n) 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 is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Authority.

The asset cost includes development and financing fees estimated at fair value, which requires 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 for the cost of capital and financing received to date, 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 partner's operating costs, financing costs and a return of their capital.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

1. Significant accounting policies (continued):

(o) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2023/2024 Budget approved by the Board of Directors. The budget is reflected in the consolidated statement of operations and accumulated operating surplus and the consolidated statement of changes in net debt.

(p) Changes in Accounting Policy:

Effective April 1, 2023, the Authority adopted the following new accounting standards:

- (i) PS 3400, *Revenue*. PS 3400 provides guidance on how to account for and report revenue, and specifically, it differentiates between revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied. Management has assessed the impact of adopting PS 3400 and has found current recognition, measurement, presentation, and disclosure comply with the new standard resulting in no impact to the financial statements of the Authority.
- (ii) PS 3160, *Public Private Partnerships*. PS 3160 provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner who will design, build, finance, and operate and/or maintain the infrastructure. Management has assessed the impact of adopting PS 3160 and has found current recognition, measurement, presentation, and disclosure comply with the new standard resulting in no impact to the financial statements of the Authority.

2. Cash and cash equivalents:

	2024	2023
Cash and cash equivalents	\$ 425,046	\$ 350,163
Restricted cash	677	664
	\$ 425,723	\$ 350,827

Restricted cash is related to patient trust accounts.

3. Portfolio investments:

Portfolio investments consist of shares of publicly traded companies recorded at fair value. Fair value of shares is determined with reference to the market price quoted in an active market. These shares were received by the Authority at \$nil cost as consideration in intellectual property licensing transactions.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

4. Accounts receivable:

	2024	2023
Drug rebates	\$ 326,699	\$ 190,545
Other health authorities and BC government reporting entities	123,128	122,793
Medical Services Plan	82,039	23,291
Ministry of Health	77,690	251,910
Foundations and auxiliaries	22,708	21,150
Other grantors	20,309	14,369
Patients, clients and residents	20,114	27,663
Federal government	14,608	12,504
Other	31,386	13,802
	718,681	678,027
Allowance for doubtful accounts	(33,332)	(37,976)
	\$ 685,349	\$ 640,051

5. Inventories held for sale:

(a) Sales:

Inventories held for sale consists of pharmaceuticals, medical supplies and personal protective equipment (PPE). During the year ended March 31, 2024, \$351,979 (2023 – \$355,795) of inventories were sold by the Authority to other Health Authorities or entities under the common control of the Province, and \$15,828 (2023 - \$102,877) of inventories were transferred to unrelated entities.

(b) Inventory write-down:

During the year ended March 31, 2024, PHSA revalued \$20,155 (2023 – \$167,481) of inventory to net realizable value.

6. Accounts payable and accrued liabilities:

	2024	2023
Trade accounts payable and accrued liabilities	\$ 500,195	\$ 452,938
Salaries and benefits payable	273,618	259,657
Accrued vacation pay	117,243	100,766
Long-term accounts payable	3,455	3,417
Patient trust funds	677	664
	\$ 895,188	\$ 817,442

Long-term accounts payable are obligations related to the construction of Abbotsford Regional Hospital and Cancer Centre.

PROVINCIAL HEALTH SERVICES AUTHORITY

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Year ended March 31, 2024

7. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry of Health and other sources in the form of externally restricted operating funding received for various programs and initiatives. These include funding to support costs arising from the BC Centre for Disease Control SPARROW Wastewater project, the Centre for Mental Health and Addictions development, the Forensic Greenhouse project, Provincial Blood Coordinating Office initiatives, and other Ministry directed initiatives.

	2024	2023
Deferred operating contributions, beginning of year	\$ 27,342	\$ 27,367
Contributions received during the year	-	1,137
Transferred to deferred capital contributions	(1,802)	(1,063)
Amounts recognized as revenue in the year	(527)	(99)
Deferred operating contributions, end of year	\$ 25,013	\$ 27,342

8. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research, Canadian Cancer Society, Genome Canada, Terry Fox Research Institute, National Institutes of Health, foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2024	2023
Deferred research and designated contributions, beginning of year	\$ 10,255	\$ 7,638
Contributions received during the year	11,999	19,849
Amounts to be received in future periods	5,239	5,542
Transferred to deferred capital contributions	(7)	(40)
Amounts recognized as revenue in the year	(22,612)	(22,734)
Deferred research and designated contributions, end of year	\$ 4,874	\$ 10,255

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

8. Deferred research and designated contributions (continued):

Other contributions	2024	2023
Deferred research and designated contributions, beginning of year	\$ 49,974	\$ 48,711
Contributions received during the year	111,672	85,907
Amounts to be received in future periods	16,823	12,457
Transferred to deferred capital contributions	(8,196)	(3,656)
Amounts recognized as revenue in the year	(119,836)	(93,445)
Deferred research and designated contributions, end of year	\$ 50,437	\$ 49,974
	2024	2023
Government transfers	\$ 4,874	\$ 10,255
Other contributions	50,437	49,974
Balance, end of year	\$ 55,311	\$ 60,229

9. Government Partnerships:

(a) ARHCC Inc.:

The following is the condensed supplementary financial information of ARHCC Inc. as at and for the years ended March 31:

	2024	2023
Financial assets	\$ 159,575	\$ 164,254
Liabilities	385,500	397,304
Net debt	225,924	233,050
Non-financial assets	228,510	235,631
Accumulated surplus	2,581	2,581
Revenues	69,673	65,488
Expenses	69,669	65,488
Surplus	5	-

As described in note 1(b), the Authority has a 15% interest in ARHCC Inc., which is recorded on a proportional consolidation basis in the Authority's consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

9. Government Partnerships (continued):

(b) Clinical & Systems Transformation (CST):

CST is a multi-year project designed to improve the safety, quality and consistency of patient care across three British Columbia health organizations: Vancouver Coastal Health (VCH), Providence Health Care (PHC) and PHSA. CST will support the health organizations in establishing common clinical and process standards, including workflows, order sets, clinical guidelines, integrated plans of care and a common electronic health record.

The project is jointly controlled by VCH and PHSA, whereby capital and operating costs are allocated between VCH and PHSA based on identifiable cost drivers. If no cost drivers can be identified, then 75% of the shared costs will be allocated to VCH and 25% of the shared costs will be allocated to PHSA. This arrangement is considered "Assets under shared control" under *PS 3060 – Interest in Partnerships*, and therefore, PHSA records its proportionate share of CST costs based on its 25% allocation where costs are not specifically identifiable to PHSA.

The project reached substantial completion on November 5, 2022, upon which time PHSA commenced amortization of the project capital costs. PHSA's allocated capital costs related to the system asset are reflected in note 14 under Clinical information systems.

As at March 31, 2024 \$211,980 (2023 - \$189,540) representing PHSA's portion of deferred capital funding from the Ministry of Health is recorded in Deferred Capital Contributions (note 12).

Included in other expenses for the year ended March 31, 2024 is \$12,924 (2023 - \$17,430) related to project operating costs.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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10. Debt:

	2024	2023
P3:		
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in accordance with the project agreement terms including annual interest of 7.75%	\$ 50,486	\$ 51,793
BC Cancer Centre for the North, 30 year contract to September 2042 with Plenary Health Prince George GP, payable in monthly payments of \$117 including annual interest of 8.09% in accordance with the project agreement terms	15,297	15,448
Phase 2 BC Children's and BC Women's Redevelopment Project, 30 year contract to June 2047 with Affinity Partnerships, payable in monthly payments of \$1,195 including annual interest of 6.61% in accordance with the project agreement terms	169,149	172,170
	\$ 234,932	\$ 239,411

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 16(d).

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

11. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2021 and extrapolated to March 31, 2024 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2024 are derived. The next expected valuation will be as of December 31, 2024.

Information about retirement allowance benefits is as follows:

	2024	2023
Accrued benefit obligation:		
Severance benefits	\$ 104,608	\$ 97,176
Sick leave benefits	50,229	46,480
	154,837	143,656
Unamortized actuarial loss	(17,391)	(20,009)
Accrued benefit liability	\$ 137,446	\$ 123,647

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

	2024	2023
Accrued benefit liability, beginning of year	\$ 123,647	\$ 116,002
Net benefit expense:		
Current service cost	10,177	10,064
Interest expense	5,242	4,339
Amortization of actuarial loss	2,759	2,374
Net benefit expense	18,178	16,777
Benefits paid	(6,114)	(9,132)
Accrued benefit obligation transferred from other Health Authorities	1,735	-
Accrued benefit liability, end of year	\$ 137,446	\$ 123,647

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

11. Employee benefits (continued):

(a) Retirement allowance (continued):

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

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

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability 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.

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 (assets) liabilities are reflected in these consolidated financial statements.

The Authority's assets as of March 31, 2024 are based on the actuarial valuation at December 31, 2023, extrapolated to March 31, 2024. The next expected valuation will be as of December 31, 2024.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2024	2023
Accrued benefit obligation	\$ 124,444	\$ 120,041
Fair value of plan assets	(143,773)	(117,651)
Net (asset)/liability	\$ (19,329)	\$ 2,390

	2024	2023
Long-term disability and health and welfare benefits liability/(asset), beginning of year	\$ 2,390	\$ (106)

Net benefit expense:

Health and welfare benefit expense	37,844	35,683
Actuarial loss	2,668	11,779
Long-term disability expense	14,672	15,492
Interest expense	6,863	5,950
Non-employer contributions	(1,725)	(1,206)
Expected return on assets	(7,211)	(6,090)
Net benefit expense	53,111	61,608

Contributions to the plan	(74,830)	(59,112)
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Long-term disability and health and welfare benefits (asset)/liability, end of year	\$ (19,329)	\$ 2,390
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Benefits paid to claimants	\$ 58,957	\$ 50,125
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Plan assets consist of:

	2024	2023
Debt securities	37%	35%
Foreign equities	36%	34%
Canadian equities and other	27%	31%
Total	100%	100%

PROVINCIAL HEALTH SERVICES AUTHORITY

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11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2024	2023
Accrued benefit obligation as at March 31:		
Discount rate	5.80%	5.90%
Rate of benefit increase		
2023	7.00%	7.00%
2024	3.00%	3.00%
2025+	2.25%	2.25%
Benefit costs for years ended March 31:		
Discount rate	5.90%	5.10%
Rate of compensation increase		
2023	7.00%	2.00%
2024	3.00%	
2025+	2.25%	
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.90%
Actual long-term rate of return on plan assets	9.61%	-5.88%

(c) Joint benefit trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2024, the Authority made contributions to these joint benefit trusts totaling \$45,970 (2023 - \$37,974).

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

11. Employee benefits (continued):

(d) 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*, and to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan.

Employer contributions to the Municipal Pension Plan of \$127,937 (2023 – \$102,252) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2021 indicated a funding surplus of approximately \$3,761 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 240,000 active members, of which approximately 18,000 (2023 – 16,600) are employees of the Authority. The next expected valuation will be as of December 31, 2024, with results available in 2025.

Employer contributions to the Public Service Pension Plan of \$40,119 (2023 – \$28,583) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2023 indicated a funding surplus of approximately \$4,491 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 71,000 active members, of which approximately 4,900 (2023 – 4,400) are employees of the Authority. The next actuarial valuation will be as of March 31, 2026, with results available in 2027.

The Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan is a single employer defined contribution plan. Employer contributions to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan of \$7,638 (2023 – \$5,151) were expensed during the year. As at March 31, 2024, the plan covered approximately 2,945 (2023 – 2,514) active members, all of which are employees of the BC Emergency Health Services.

PROVINCIAL HEALTH SERVICES AUTHORITY

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Year ended March 31, 2024

12. Deferred capital contributions:

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

	2024	2023
Deferred capital contributions, beginning of year	\$ 1,627,327	\$ 1,562,249
Capital contributions received:		
Ministry of Health	118,782	149,197
Foundations and auxiliaries	16,760	18,818
Other	2,853	22,990
	138,395	191,005
Transfer of tangible capital assets to other Health Authorities	(4,038)	-
Amortization for the year	(143,778)	(125,927)
Deferred capital contributions, end of year	\$ 1,617,906	\$ 1,627,327

Deferred capital contributions comprise the following:

	2024	2023
Contributions used to purchase tangible capital assets	\$ 1,385,978	\$ 1,406,244
Unspent contributions	231,928	221,083
	\$ 1,617,906	\$ 1,627,327

13. Asset retirement obligation:

The Authority has recognized asset retirement obligations representing the estimated cost to settle obligations related to leased and owned premises at future dates as follows:

(a) Asbestos obligation:

The Authority owns and operates several buildings that are known to contain asbestos which represents a health hazard upon renovation or demolition of the buildings. Provincial regulations require asbestos to be removed in a prescribed manner when the building is demolished. The Authority has recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings. The asset retirement obligations capitalized in respect of building asbestos are amortized over the remaining useful life of the buildings. The buildings have an estimated useful life of 15 – 50 years from the date of construction, of which the remaining useful lives vary. The settlement of these obligations will occur when the buildings undergo major renovations or demolition.

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

13. Asset retirement obligation (continued):

(b) Leasehold restoration obligation:

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

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

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

Asset Retirement Obligation	Asbestos remediation	Leasehold restoration	Balance at March 31, 2024
Opening balance	\$ 18,099	\$ 2,856	\$ 20,955
New liabilities	-	600	600
Liabilities settled/adjusted	(62)	(312)	(374)
Accretion expense	440	90	530
Changes in estimate	2,073	(64)	2,009
Closing balance	\$ 20,550	\$ 3,170	\$ 23,720

Asset Retirement Obligation	Asbestos remediation	Leasehold restoration	Balance at March 31, 2023
Opening balance	\$ 17,670	\$ 2,774	\$ 20,444
Accretion expense	429	82	511
Closing balance	\$ 18,099	\$ 2,856	\$ 20,955

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

14. Tangible capital assets:

Cost	2023	Additions	Disposals	Transfers	2024
Land	\$ 143,780	\$ -	\$ -	\$ 4,918	\$ 148,698
Land improvements	8,733	-	-	-	8,733
Buildings	1,559,218	2,223	(49)	2,971	1,564,363
Equipment	692,724	26,889	(27,529)	8,662	700,746
Information systems	403,524	2,723	(168)	27,341	433,420
Clinical information systems (note 9(b))	149,379	-	-	16,920	166,299
Leasehold improvements	63,662	621	(802)	3,482	66,963
Vehicles	119,689	14,827	(2,748)	741	132,509
Construction in progress	47,105	50,521	-	(25,463)	72,163
Equipment and information systems in progress	35,916	32,666	-	(43,772)	24,810
Total	\$3,223,730	\$ 130,470	\$ (31,296)	\$ (4,200)	\$ 3,318,704

Accumulated amortization	2023	Amortization	Disposals	Transfers	2024
Land improvements	\$ 5,759	\$ 635	\$ -	\$ -	\$ 6,394
Buildings	536,602	40,986	(25)	-	577,563
Equipment	482,076	52,897	(27,047)	(162)	507,764
Information systems	315,244	35,402	(168)	-	350,478
Clinical information systems (note 9(b))	4,596	10,552	-	-	15,148
Leasehold improvements	38,682	2,844	(715)	-	40,811
Vehicles	69,827	10,481	(2,406)	-	77,902
Total	\$1,452,786	\$ 153,797	\$ (30,361)	\$ (162)	\$ 1,576,060

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Year ended March 31, 2024

14. Tangible capital assets (continued):

Cost	2022 (Restated)	Additions	Disposals	Transfers	2023
Land	\$ 143,780	\$ -	\$ -	\$ -	\$ 143,780
Land improvements	8,598	135	-	-	8,733
Buildings	1,547,196	932	(22)	11,112	1,559,218
Equipment	640,032	46,301	(9,559)	15,950	692,724
Information systems	333,773	3,851	(169)	66,069	403,524
Clinical information systems (note 9(b))	-	-	-	149,379	149,379
Leasehold improvements	64,022	84	(4,500)	4,056	63,662
Vehicles	107,342	14,907	(4,474)	1,914	119,689
Construction in progress	45,378	35,830	-	(34,103)	47,105
Equipment and information systems in progress	207,210	43,083	-	(214,377)	35,916
Total	\$3,097,331	\$ 145,123	\$ (18,724)	\$ -	\$ 3,223,730

Accumulated amortization	2022 (Restated)	Amortization	Disposals	Transfers	2023
Land improvements	\$ 5,131	\$ 628	\$ -	\$ -	\$ 5,759
Buildings	495,956	41,075	(9)	(420)	536,602
Equipment	441,202	50,375	(9,501)	-	482,076
Information systems	289,973	25,440	(169)	-	315,244
Clinical information systems (note 9(b))	-	4,596	-	-	4,596
Leasehold improvements	39,830	2,931	(4,499)	420	38,682
Vehicles	63,266	10,902	(4,341)	-	69,827
Total	\$1,335,358	\$ 135,947	\$ (18,519)	\$ -	\$ 1,452,786

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14. Tangible capital assets (continued):

Net book value	2024	2023
Land	\$ 148,698	\$ 143,780
Land improvements	2,339	2,974
Buildings	986,800	1,022,616
Equipment	192,982	210,648
Information systems	82,942	88,280
Clinical information systems	151,151	144,783
Leasehold improvements	26,152	24,980
Vehicles	54,607	49,862
Construction in progress	72,163	47,105
Equipment and information systems in progress	24,810	35,916
Total	\$ 1,742,644	\$ 1,770,944

Tangible capital assets are funded as follows:

	2024	2023
Deferred capital contributions	\$ 1,385,978	\$ 1,406,244
Debt	200,088	206,537
Internally funded	156,578	158,163
Tangible capital assets	\$ 1,742,644	\$ 1,770,944

15. Inventories held for use:

	2024	2023
Pharmaceuticals	\$ 67,836	\$ 55,643
Medical supplies	1,270	884
	\$ 69,106	\$ 56,527

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16. Commitments and contingencies:

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

As at March 31, 2024, the Authority had outstanding commitments for construction, equipment and information systems in progress of \$76,979 (2023 - \$95,881).

(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:

2025	\$	243,047
2026		124,114
2027		70,487
2028		61,148
2029		41,606
Thereafter		185,570
	\$	725,972

(c) Operating leases:

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

2025	\$	36,311
2026		32,577
2027		25,245
2028		16,280
2029		12,578
Thereafter		40,672
	\$	163,663

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

Year ended March 31, 2024

16. Commitments and contingencies (continued):

(d) Public-private partnerships commitments:

ARHCC Inc. entered into a multi-year P3 contract with the private sector partner Access Health Abbotsford Ltd. ("AHA"). Under the agreement, AHA designed, constructed, financed and will maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province for the payment obligations to AHA.

BCCA entered into a multi-year P3 contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") to build the BC Cancer Agency Centre for the North in Prince George, BC. Under the agreement, Plenary Health designed, constructed, financed and will maintain the facilities until the end of the term of the agreement in September 2042. Payment guarantees have been provided by the Province for the payment obligations to Plenary Health.

Children's & Women's Health Centre of British Columbia entered into a multi-year P3 contract with the private sector partner Affinity Partnerships. Under the agreement, Affinity Partnerships designed, constructed, partially financed and will maintain the Teck Acute Care Centre until the end of the term of the agreement in June 2047. Payment guarantees have been provided by the Province for the payment obligations to Affinity Partnerships.

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 10. FM and lifecycle payments to the private partners are contingent on specified performance criteria and include an estimation of inflation, where applicable.

	Capital and financing	FM and lifecycle	Total payments
2025	\$ 21,589	\$ 10,784	\$ 32,373
2026	21,697	11,737	33,434
2027	21,804	13,148	34,952
2028	21,740	13,312	35,052
2029	21,844	17,431	39,275
Thereafter	343,397	285,010	628,407
	\$ 452,071	\$ 351,422	\$ 803,493

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

16. Commitments and contingencies (continued):

(d) Public-private partnerships commitments (continued):

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2025	\$	4,942
2026		5,404
2027		5,904
2028		6,409
2029		7,017
Thereafter		205,256
	\$	234,932

(e) 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, 2024, 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 a 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.

17. Statement of operations:

(a) Other contributions:

	2024	2023
Other health authorities	\$ 78,941	\$ 78,961
Foundations and auxiliaries	36,440	30,028
Other ministries	5,368	5,799
Federal government	2,395	708
Other	1,375	3,124
	\$ 124,519	\$ 118,620

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Notes to Consolidated Financial Statements
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Year ended March 31, 2024

17. Statement of operations (continued):

(b) Other revenues:

	2024		2023	
Recoveries from sales of goods and services	\$	44,007	\$	33,242
Parking		4,093		3,951
Drug sales		1,720		1,231
Other		6,212		2,931
	\$	56,032	\$	41,355

(c) Patients, clients and residents:

	2024		2023	
Non-residents of BC	\$	14,026	\$	10,575
Non-residents of Canada		7,635		4,891
Federal government		6,740		3,116
Workers' Compensation Board		2,165		1,372
Residents of BC self pay		1,248		1,900
Preferred accommodation		824		833
Other		2,923		1,948
	\$	35,561	\$	24,635

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

17. Statement of operations (continued):

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

	2024	2023
Compensation:		
Compensation	\$ 2,234,594	\$ 1,822,296
Employee benefits	560,014	443,924
Actuarial loss on event-driven employee benefits	2,668	11,779
	<u>2,797,276</u>	<u>2,277,999</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	752,165	664,078
Health and support services providers and other	341,463	267,666
	<u>1,093,628</u>	<u>931,744</u>
Supplies:		
Drugs and medical gases	393,508	351,293
Medical and surgical	103,397	98,477
Diagnostic	48,391	37,482
Fuel	12,593	12,715
Food and dietary	9,429	6,696
Housekeeping and laundry	8,072	6,809
Printing, stationery and office	7,348	4,372
Other	31,847	29,389
	<u>614,585</u>	<u>547,233</u>
Equipment and building services:		
Equipment	288,437	253,918
Rent	75,422	72,227
Building and grounds service contracts	16,819	15,156
Plant operations (utilities)	12,444	12,984
	<u>393,122</u>	<u>354,285</u>
Cost of inventories sold:		
Other health authorities and BC government reporting entities	351,979	355,795
Non-BC government reporting entities	15,828	102,877
	<u>367,807</u>	<u>458,672</u>
Sundry:		
Professional fees	139,039	125,608
Travel	27,163	17,089
Delivery and courier	12,258	12,963
Communication and data processing	10,579	10,402
Other	45,325	50,179
	<u>234,364</u>	<u>216,241</u>
Amortization of tangible capital assets	153,797	135,947
Research and designated expenses	142,448	116,179
Write-down of inventories held for sale	20,155	167,481
Interest on debt	16,854	17,090
Net book value of disposed tangible capital assets	935	205
Accretion of asset retirement obligations	530	511
	<u>\$ 5,835,501</u>	<u>\$ 5,223,587</u>

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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18. Supplementary cash flow information:

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

	2024	2023
Accounts receivable	\$ (45,298)	\$ (172,734)
Inventories held for sale	44,260	115,158
Accounts payable and accrued liabilities	77,746	162,169
Deferred operating contributions	(2,329)	(25)
Deferred research and designated contributions	(4,918)	3,880
Inventories held for use	(12,579)	(8,853)
Prepaid expenses	(14,578)	(4,171)
	\$ 42,304	\$ 95,424

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through non-cash transactions are excluded from the acquisition of tangible capital assets on the consolidated statement of cash flows. During the year ended March 31, 2024, PHSA received \$nil (2023 - \$23,054) of contributed tangible capital assets.

19. Related parties and other agencies:

(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. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Referred out and contracted services expenses, as outlined in note 17(d) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair market value.

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

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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Year ended March 31, 2024

19. Related parties and other agencies (continued):

(b) Foundations and auxiliaries:

The following foundations and auxiliaries were established to raise funds for the respective hospitals and/or health services within the Authority. 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 consolidated financial statements of the Authority.

The Authority has the economic relationships with the following foundations and auxiliaries:

BC Cancer Foundation
Pacific Public Health Foundation (formerly BCCDC Foundation for Population and Public Health)
British Columbia's Children's Hospital Foundation
British Columbia's Women's Hospital and Health Centre Foundation
The Auxiliary to British Columbia's Children's Hospital
British Columbia's Women's Hospital and Health Centre Auxiliary
British Columbia Centre of Excellence for Women's Health Society

During the year, the Authority received contributions of \$110 million (2023 – \$89 million) from the various foundations and auxiliaries.

20. 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 accounts receivable. The risk exposure is limited to the carrying amounts at the date of the consolidated statement of financial position.

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, 2024, the amount of allowance for doubtful accounts was \$33,332 (2023 – \$37,976).

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.

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Notes to Consolidated Financial Statements
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20. 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.

All of the Authority's financial assets mature within one year. The tables below show when various financial liabilities mature:

2024				
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 891,259	\$ 1,053	\$ 2,876	\$ 895,188
Long-term debt	4,942	24,734	205,256	234,932
Total financial liabilities	\$ 896,201	\$ 25,787	\$ 208,132	\$ 1,130,120

2023				
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 813,454	\$ 1,158	\$ 2,830	\$ 817,442
Long-term debt	4,482	22,659	212,270	239,411
Total financial liabilities	\$ 817,936	\$ 23,817	\$ 215,100	\$ 1,056,853

Long-term debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
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20. 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 the Canadian dollar. 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. The currency most contributing to the foreign exchange risk is the US dollar.

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

	2024		2023	
US dollar per Canadian dollar	\$	0.737	\$	0.739

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.

PROVINCIAL HEALTH SERVICES AUTHORITY

Notes to Consolidated Financial Statements
(Amounts expressed in thousands of dollars)

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21. BC Societies Act:

Under the Societies Act of British Columbia, the Authority is subject to certain financial statement disclosure requirements. These disclosure requirements include: (a) remuneration paid to the Society's directors, (b) remuneration paid to the ten most highly paid employees and contractors of the Society who were paid at least seventy-five thousand dollars during the period, and (c) any financial assistance provided by the Society during the period that was outside the ordinary course of activities.

(a) Remuneration paid to Directors:

The following table sets out remuneration paid to each member of the Board of Directors for the year ended March 31, 2024:

Board Position	2024
Board Chair	\$ 59
Chair – Cultural Safety and Humility Committee	34
Chair – Finance and Operations Committee	28
Chair – People and Governance Committee	31
Chair - Research and Academic Development Committee, term began Jan. 1, 2024	25
Former Chair – Research and Academic Development Committee, term ended Dec. 31, 2023	23
Chair – Quality & Safety Committee, term began Jan. 1, 2024	24
Member & Secretary of the Board	27
Member	26
Member	31
Member	25
Member	28
Member	22
Member	3
	\$ 386

(b) Remuneration paid to highest paid employees and contractors:

The ten most highly remunerated persons whose remuneration was at least seventy-five thousand dollars during the year ended March 31, 2024 received an aggregate of \$7.85 million (2023 – \$7.88 million) from the Authority during that period. All of these individuals are physicians.

(c) Financial assistance:

The Authority did not provide any financial assistance outside the ordinary course of activities during the year ended March 31, 2024.

22. Comparative Figures

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