

Financial Statements of

VANCOUVER ISLAND HEALTH AUTHORITY

And Independent Auditor's Report thereon

Year ended March 31, 2024



Statement of Management Responsibility

The financial statements of the Vancouver Island Health Authority (the "Authority") for the year ended March 31, 2024 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 fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditor a minimum of two times a year.

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

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

On behalf of the Vancouver Island Health Authority

A handwritten signature in blue ink that reads "Kathryn MacNeil".

Kathryn E. MacNeil
President and Chief Executive Officer

A handwritten signature in blue ink that reads "Kim Kerrone".

Kim Kerrone
Vice President - Chief Financial Officer

May 29, 2024



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2024
- 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, 2024 of the Authority are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our Auditor's report.

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

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



Emphasis of Matter – Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 29, 2024

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Financial Position

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

As at March 31, 2024, with comparative information for 2023

	2024	2023
Financial assets		
Cash and cash equivalents (note 3)	\$ 391,199	\$ 213,180
Accounts receivable (note 4)	313,507	411,295
Inventories held for sale	1,071	1,119
Long-term disability and health and welfare benefits (note 9(b)(i))	85,636	63,555
	<u>791,413</u>	<u>689,149</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	533,704	447,565
Deferred operating contributions (note 6)	2,326	2,402
Deferred research and designated contributions (note 7)	2,821	2,302
Debt (note 8)	362,948	371,797
Retirement allowance (note 9(a))	128,698	121,780
Replacement reserves (note 10)	-	22
Asset retirement obligations (note 11)	46,690	42,813
Deferred capital contributions (note 12)	1,681,291	1,406,561
	<u>2,758,478</u>	<u>2,395,242</u>
Net debt	<u>(1,967,065)</u>	<u>(1,706,093)</u>
Non-financial assets		
Tangible capital assets (note 13)	1,814,095	1,556,032
Inventories held for use	26,024	22,436
Prepaid expenses	38,151	35,741
Restricted assets	231	231
	<u>1,878,501</u>	<u>1,614,440</u>
Accumulated deficit	<u>\$ (88,564)</u>	<u>\$ (91,653)</u>

Commitments and contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:


 Leah Hollins Board Chair


 Anne McFarlane Director

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Operations and Accumulated Deficit

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

Year ended March 31, 2024, with comparative information for 2023

	2024 Budget (note 1(n))	2024	2023
Revenues:			
Ministry of Health contributions	\$ 3,373,451	\$ 3,545,887	\$ 3,085,944
Medical Services Plan	238,162	267,087	238,505
Recoveries from other health authorities and BC government reporting entities	138,424	161,338	148,510
Amortization of deferred capital contributions (note 12)	88,090	89,633	88,091
Patients, clients and residents (note 15(a))	69,279	87,540	83,965
Other (note 15(b))	36,299	62,806	61,769
Other contributions (note 15(c))	4,815	2,726	3,801
Investment income	1,535	5,922	3,654
	<u>3,950,055</u>	<u>4,222,939</u>	<u>3,714,239</u>
Expenses (note 15(d)):			
Acute care	1,990,878	2,124,485	1,887,464
Long-term care	586,402	686,868	616,746
Community care	542,817	626,605	518,127
Mental health and substance use	308,793	346,276	286,243
Corporate	362,596	323,989	293,518
Population health and wellness	158,569	111,627	106,663
	<u>3,950,055</u>	<u>4,219,850</u>	<u>3,708,761</u>
Annual surplus	-	3,089	5,478
Accumulated deficit, beginning of year	(91,653)	(91,653)	(97,131)
Accumulated deficit, end of year	<u>\$ (91,653)</u>	<u>\$ (88,564)</u>	<u>\$ (91,653)</u>

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Changes in Net Debt

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

Year ended March 31, 2024, with comparative information for 2023

	2024 Budget (note 1(n))	2024	2023
Annual surplus	\$ -	\$ 3,089	5,478
Acquisition of tangible capital assets	(418,202)	(359,728)	(179,839)
Amortization of tangible capital assets	106,000	101,665	101,049
	(312,202)	(254,974)	(73,312)
Acquisition of inventories held for use	-	(267,115)	(336,629)
Acquisition of prepaid expenses	-	(179,010)	(50,883)
Consumption of inventories held for use	-	263,527	335,330
Use of prepaid expenses	-	176,600	56,143
	-	(5,998)	3,961
Increase in net debt	(312,202)	(260,972)	(69,351)
Net debt, beginning of year	(1,706,093)	(1,706,093)	(1,636,742)
Net debt, end of year	\$ (2,018,295)	\$ (1,967,065)	\$ (1,706,093)

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Statement of Cash Flows

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

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash flows from (used in):		
Operating activities:		
Annual surplus	\$ 3,089	\$ 5,478
Items not involving cash:		
Amortization of deferred capital contributions	(89,633)	(88,091)
Amortization of tangible capital assets	101,665	101,049
Increase in asset retirement obligations	3,812	-
Asset retirement obligations accretion	65	64
Retirement allowance expense	16,503	14,711
Long-term disability and health and welfare benefits expense	62,176	85,847
Interest income	(5,922)	(3,655)
Interest expense	24,479	25,031
Net change in non-cash operating items (note 16)	178,398	(160,681)
Retirement allowance benefits paid	(9,585)	(15,130)
Long-term disability and health and welfare benefits contributions	(84,257)	(69,402)
Interest received	5,922	3,655
Interest paid	(24,479)	(25,031)
Net change in cash from operating activities	182,233	(126,155)
Capital activities:		
Acquisition of tangible capital assets	(359,728)	(179,839)
Net change in cash from capital activities	(359,728)	(179,839)
Financing activities:		
Repayment of debt	(8,849)	(8,204)
Capital contributions	364,363	180,417
Net change in cash from financing activities	355,514	172,213
Increase/(decrease) in cash and cash equivalents	178,019	(133,781)
Cash and cash equivalents, beginning of year	213,180	346,961
Cash and cash equivalents, end of year	\$ 391,199	\$ 213,180

See accompanying notes to financial statements.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

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 the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework ("the framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any elections available for government not-for-profit organizations.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met by the Authority.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

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;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified; and
- deferred contributions meet the definition of a liability.

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

(b) Cash and cash equivalents:

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

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an allowance for doubtful accounts. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

(d) Inventories held for sale:

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

Inventories held for sale include pharmaceutical and other medical supplies.

(e) Employee benefits:

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

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn benefits.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

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

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 12 years (2023 – 12 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

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

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

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

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(f) Asset retirement obligations:

An asset retirement obligation 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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

(f) Asset retirement obligations (continued):

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

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

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

(g) Non-financial assets:

(i) Tangible capital assets:

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

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

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Tangible capital assets are written-down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair market value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Purchased intangibles:

Purchased intangible assets are initially recorded at cost, which includes the purchase price and any directly attributable costs.

Purchased intangibles with finite lives are amortized over their estimated useful lives, which are reviewed annually for impairment, or whenever events or changes in circumstances indicate that the benefits associated with the intangible asset are less than their net book value. Purchased intangibles with indefinite useful lives are not amortized but are tested for impairment annually, or whenever events or changes in circumstances indicate the net book value exceeds the value of the purchased intangible. The write-downs of purchased intangible assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

(iii) 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.

(iv) Prepaid expenses:

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

(h) Revenue recognition:

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

Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the Authority satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

Revenues from transactions without performance obligations are 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. 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.

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

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

(j) Restricted assets:

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

(k) Foreign currency translation:

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

(l) Financial instruments:

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

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at amortized cost less any allowance for doubtful accounts. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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

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

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

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

(m) Capitalization of public-private partnership projects:

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

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

1. Significant accounting policies (continued):

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

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 2023/2024 Budget approved by the Board of Directors on June 28, 2023. 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 2010, PSAB undertook a project to review and update the conceptual framework for the Public Sector Accounting Handbook to ensure it is still relevant. In June 2022, the revised conceptual framework was approved by PSAB. The revised conceptual framework will replace the existing conceptual framework which consists of PS 1000, Financial Statement Concepts and PS 1100, Financial Statement Objectives. The revised conceptual framework will be effective for fiscal years beginning on or after April 1, 2026. Management is in the process of assessing the impact of adoption of the revised conceptual framework on the financial statements of the Authority.

(ii) On October 2, 2023, PSAB issued a new financial reporting model in section PS 1202, Financial Statement Presentation ("PS 1202"), which will replace the current section PS 1201, Financial Statement Presentation. PS 1202 will apply to fiscal years beginning on or after April 1, 2026 with early adoption permitted if the revised conceptual framework (note 1(o)(i)) is adopted at the same time. The new standard includes various changes to the presentation of the financial statements and common terminology. Management is in the process of assessing the impact of adoption of PS 1202 on the financial statements of the Authority.

2. Adoption of new accounting standards:

(a) On April 1, 2023, the Authority adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships ("PS 3160"). The new accounting standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed the impact of adopting PS 3160 on the financial statements of the Authority and has found current recognition, measurement, presentation, and disclosure to comply with PS 3160 resulting in no impact to the financial statements for fiscal years beginning on or after April 1, 2023.

(b) On April 1, 2023, the Authority adopted Canadian Public Sector Accounting Standard PS 3400, Revenue ("PS 3400"). Under the new accounting standard, there are two categories of revenue – exchange and non-exchange. If the transaction gives rise to one or more performance obligations, it is an exchange transaction. If no performance obligations are present, it is non-exchange revenue. Management has assessed the impact of adopting PS 3400 on the financial statements of the Authority and has found that there is no resulting impact to the financial statements for fiscal years beginning on or after April 1, 2023.

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Year ended March 31, 2024

2. Adoption of new accounting standards (continued):

(c) On April 1, 2023, the Authority adopted Public Sector Guideline PSG-8, Purchased Intangibles, applied on a prospective basis ("PSG-8"). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed the impact of adopting PSG-8 and found that at present no such items meet the criteria to be recognized as a purchased intangible.

3. Cash and cash equivalents:

	2024	2023
Cash and cash equivalents	\$ 391,199	\$ 213,180
Less amounts restricted for:		
Capital purposes	(222,139)	(217,518)
P3 projects	(38,384)	(35,999)
Future operating purposes	(2,326)	(2,402)
Research and designated purposes	(2,821)	(2,302)
Replacement reserves	-	(22)
Patient comfort funds	(545)	(505)
Amounts internally restricted	(1,544)	(1,499)
Unrestricted cash and cash equivalents	\$ 123,440	\$ (47,067)

4. Accounts receivable:

	2024	2023
Medical Services Plan	\$ 50,565	\$ 26,014
Other health authorities and BC government reporting entities	40,605	30,486
Ministry of Health	178,591	316,763
Patients, clients and residents	22,280	22,949
Regional Hospital Districts	10,785	8,359
Foundations and auxiliaries	4,682	7,508
Federal government	7,941	4,073
WorkSafe BC	1,482	1,281
Other	9,418	6,789
	326,349	424,222
Allowance for doubtful accounts	(12,842)	(12,927)
	\$ 313,507	\$ 411,295

5. Accounts payable and accrued liabilities:

	2024	2023
Salaries and benefits payable	\$ 220,765	\$ 201,297
Trade accounts payable and accrued liabilities	198,766	147,297
Accrued vacation pay	114,173	98,971
	\$ 533,704	\$ 447,565

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6. Deferred operating contributions:

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

	2024	2023
Deferred operating contributions, beginning of year	\$ 2,402	\$ 7,439
Contributions received	3,263	294
Amounts recognized as revenue	(3,339)	(5,331)
Deferred operating contributions, end of year	\$ 2,326	\$ 2,402

7. Deferred research and designated contributions:

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

	2024	2023
Deferred research and designated contributions, beginning of year	\$ 2,302	\$ 2,988
Contributions received	1,123	505
Amounts recognized as revenue	(604)	(1,191)
Deferred research and designated contributions, end of year	\$ 2,821	\$ 2,302

8. Debt:

	2024	2023
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 6.31%, payable in accordance with the project agreement terms	\$ 152,305	\$ 157,275
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	210,537	214,111
	362,842	371,386

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8. Debt (continued):

	2024	2023
Bank loans:		
Royal Bank of Canada, payable in monthly payments of \$15 including annual interest of 2.59%, maturing in November 2024	106	288
Mortgages:		
Canada Mortgage and Housing Corporation (CMHC), secured by first charges on properties, Dogwood Place, was paid out in full on June 1, 2023 (2023 – payable in monthly payments of \$2, including annual interest of 2.50%, renewable June 1, 2023).	-	123
	\$ 362,948	\$ 371,797

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

2025	\$ 106
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Required principal repayments on P3 debt over the years ending March 31 are disclosed with public-private partnerships and commitments in note 14(e).

9. Employee benefits:

(a) Retirement allowance:

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

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

Information about retirement allowance benefits is as follows:

	2024	2023
Accrued benefit obligation:		
Severance benefits	\$ 85,227	\$ 81,137
Sick leave benefits	56,427	53,377
	141,654	134,514
Unamortized actuarial loss	(12,956)	(12,734)
Accrued benefit liability	\$ 128,698	\$ 121,780

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

9. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2024	2023
Accrued benefit liability, beginning of year	\$ 121,780	\$ 122,199
Net benefit expense:		
Current service cost	10,905	10,846
Interest expense	4,945	4,258
Amortization of actuarial gain/(loss)	653	(393)
Net benefit expense	16,503	14,711
Benefits paid	(9,585)	(15,130)
Accrued benefit liability, end of year	\$ 128,698	\$ 121,780

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 (% per annum)		
2023	7.00%	7.00%
2024	3.00%	3.00%
Thereafter	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase (% per annum)		
2023	2.50%	2.50%
2024	3.00%	2.50%
Thereafter	2.50%	2.50%
Expected future inflationary increases	2.50%	2.00%

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

(b) Healthcare Benefit Trust benefits:

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

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

The Authority's net asset as of March 31, 2024 is based on the actuarial valuation at December 31, 2023, extrapolated to March 31, 2024. The net asset as of March 31, 2023 is based on the actuarial valuation at December 31, 2022 and extrapolated to March 31, 2023.

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

	2024	2023
Fair value of plan assets	\$ 287,763	\$ 253,289
Accrued benefit obligation	202,127	189,734
Net asset	\$ (85,636)	\$ (63,555)
	2024	2023
Long-term disability and health and welfare benefits asset, beginning of year	\$ (63,555)	\$ (80,000)
Net benefit expense:		
Long term disability expense	29,771	31,637
Health and welfare benefit expense	36,388	34,299
Interest expense	11,050	9,626
Actuarial (gain)/loss	(905)	23,250
Employee payments	931	653
Expected return on assets	(15,059)	(13,618)
Net benefit expense	62,176	85,847
Contributions to the plan	(84,048)	(70,977)
Transfer of health and welfare benefits net (surplus)/deficit	(209)	1,575
Total Contributions	\$ (84,257)	\$ (69,402)
Long-term disability and health and welfare benefits asset, end of year	\$ (85,636)	\$ (63,555)
Benefits paid to claimants	\$ (71,579)	\$ (65,384)

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Year ended March 31, 2024

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	December 31, 2023	December 31, 2022
Debt securities	36.40%	34.90%
Foreign equities	36.30%	34.30%
Canadian equities and other	27.30%	30.80%
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:

	2024	2023
Accrued benefit liability, as at March 31:		
Discount rate	5.80%	5.90%
Benefit indexing (% per annum)		
2023	7.00%	7.00%
2024	3.00%	3.00%
Thereafter	2.25%	2.25%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.90%
Rate of compensation increase		
benefit indexing (% per annum)		
2023	2.00%	2.00%
2024	3.00%	2.00%
Thereafter	2.25%	2.00%
Expected future inflationary increases (Consumer Price Index)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.90%

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 9.61% for the year ended December 31, 2023 (December 31, 2022 – (5.88%)).

VANCOUVER ISLAND HEALTH AUTHORITY

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

Year ended March 31, 2024

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Joint benefit Trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2024, the Authority made contributions to these joint benefit trusts totalling \$81.8 million (2023 – \$66.4 million).

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$140.6 million (2023 – \$111.1 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at December 31, 2021, indicated a funding surplus of approximately \$3,761 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 240,000 active members of which approximately 24,500 are employees of the Authority. The next expected valuation date will be as of December 31, 2024.

Employer contributions to the Public Service Plan of \$0.9 million (2023 – \$0.9 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at March 31, 2023 indicated a surplus of approximately \$4,491 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 71,000 active members, of which approximately 170 are employees of the Authority. The Authority's next actuarial valuation date will be as of March 31, 2026.

10. Replacement reserves:

Under the terms of mortgage agreement 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 complied with these provisions.

The replacement reserves by facility are as follows:

	2024	2023
Dogwood Manor	\$ -	\$ 22

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Year ended March 31, 2024

11. Asset retirement obligations:

The Authority owns and operates some buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. Additionally, some sites owned by the Authority contain fuel tanks. As there is a legal obligation to remove hazardous materials, the Authority has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings, and fuel tanks on these sites. Due to the longevity of many of the Authority's buildings outlasting the estimated useful lives for accounting purposes, many buildings that are fully amortized are still in productive use for the foreseeable future. Once an approved project plan is in place, the timing and amount of future cash flows can then be reasonably estimated and the corresponding liability for that asset is updated to reflect the anticipated costs for removal and post-removal care of hazardous materials. Post-closure care is estimated to extend for up to one year after the closure of the building, while demolition and construction continues. Such estimated costs have been discounted to the present value using a discount rate of 3.49% per annum (2023 – 3.55%) which is the Authority's cost of borrowing.

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

	Buildings (Asbestos and hazardous materials removal)	Fuel tanks	Total 2024
Asset retirement obligations, beginning of year	\$ 40,603	\$ 2,210	\$ 42,813
Increase in asset retirement obligations	3,602	210	3,812
Accretion	65	-	65
Asset retirement obligations, end of year	\$ 44,270	\$ 2,420	\$ 46,690

	Buildings (Asbestos and hazardous materials removal)	Fuel tanks	Total 2023
Asset retirement obligations, beginning of year	\$ 40,539	\$ 2,210	\$ 42,749
Accretion	64	-	64
Asset retirement obligations, end of year	\$ 40,603	\$ 2,210	\$ 42,813

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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	\$ 1,406,561	\$ 1,314,235
Capital contributions received:		
Ministry of Health	242,122	123,040
Regional hospital districts	88,736	25,999
Foundations and auxiliaries	17,612	25,539
Other	15,893	5,839
	364,363	180,417
Amortization of deferred capital contributions	(89,633)	(88,091)
Deferred capital contributions, end of year	\$ 1,681,291	\$ 1,406,561

Deferred capital contributions are comprised of the following:

	2024	2023
Contributions used to purchase tangible capital assets	\$ 1,459,152	\$ 1,189,043
Unspent contributions	222,139	217,518
	\$ 1,681,291	\$ 1,406,561

13. Tangible capital assets:

Cost	2023	Additions	Disposals	Transfers	2024
Land	\$ 23,597	\$ -	\$ -	\$ -	\$ 23,597
Land improvements	24,907	81	-	947	25,935
Buildings	1,953,148	6,774	-	13,322	1,973,244
Equipment	520,212	6,623	(17,236)	9,899	519,498
Information systems	276,859	561	-	8,443	285,863
Leasehold improvements	40,505	150	-	4,416	45,071
Construction in progress	215,182	280,813	-	(18,554)	477,441
Equipment and information systems in progress	93,332	64,726	-	(18,473)	139,585
Total	\$ 3,147,742	\$ 359,728	\$ (17,236)	\$ -	\$ 3,490,234

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Year ended March 31, 2024

13. Tangible capital assets (continued):

Accumulated amortization	2023	Amortization	Disposals/ transfers	2024
Land improvements	\$ 18,803	\$ 1,001	\$ -	\$ 19,804
Buildings	924,005	51,610	-	975,615
Equipment	413,793	25,957	(17,236)	422,514
Information systems	212,901	18,952	-	231,853
Leasehold improvements	22,208	4,145	-	26,353
Total	\$ 1,591,710	\$ 101,665	\$ (17,236)	\$ 1,676,139

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

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Year ended March 31, 2024

13. Tangible capital assets (continued):

Net book value	2024	2023
Land	\$ 23,597	\$ 23,597
Land improvements	6,131	6,104
Buildings	997,629	1,029,143
Equipment	96,984	106,419
Information systems	54,010	63,958
Leasehold improvements	18,718	18,297
Construction projects in progress	477,441	215,182
Equipment and information systems in progress	139,585	93,332
Total	\$ 1,814,095	\$ 1,556,032

Tangible capital assets are funded as follows:

	2024	2023
Deferred capital contributions	\$ 1,459,152	\$ 1,189,043
Debt	324,458	335,387
Internally funded	30,485	31,602
Tangible capital assets	\$ 1,814,095	\$ 1,556,032

14. Commitments and contingencies:

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

As at March 31, 2024, the Authority had outstanding commitments for construction and information systems projects in progress of \$994.2 million (2023 – \$1,138.0 million). Included in this amount is \$934.4 million relating to the Cowichan District Hospital build (2023 – \$1,115.0 million).

- (b) Contractual obligations:

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

2025	\$ 404,609
2026	169,352
2027	67,190
2028	23,312
2029	16,614
	\$ 681,077

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14. Commitments and contingencies (continued):

(c) Long-term care contracts:

The Authority has entered into contracts with 46 service providers to provide long-term care services. The aggregate annual commitments for these contracts are as follows:

2025	\$	340,240
2026		241,804
2027		241,804
2028		236,651
2029		198,588
Thereafter		1,497,407
	\$	2,756,494

(d) Operating leases:

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

2025	\$	43,136
2026		35,608
2027		29,891
2028		24,306
2029		18,403
Thereafter		140,339
	\$	291,683

(e) Public-private partnerships and commitments:

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

	Capital and financing	FM and lifecycle	Total payments
2025	\$ 33,014	\$ 13,683	\$ 46,697
2026	33,011	13,657	46,668
2027	33,007	16,070	49,077
2028	33,003	14,390	47,393
2029	32,999	18,628	51,627
Thereafter	502,764	387,428	890,192
	\$ 667,798	\$ 463,856	\$ 1,131,654

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14. Commitments and contingencies (continued):

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

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

2025	\$	9,123
2026		9,741
2027		10,401
2028		11,106
2029		11,858
Thereafter		310,613
	\$	362,842

- (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, 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 material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided based on management's best estimate of the ultimate settlement.

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

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Year ended March 31, 2024

15. Statement of operations:

(a) Patients, clients and residents revenues:

	2024	2023
Long-term and extended care	\$ 41,351	\$ 38,347
Residents of BC self pay	14,956	14,256
Non-residents of Canada	14,837	14,882
WorkSafe BC	11,239	11,013
Federal government	3,917	4,050
Preferred accommodation	-	4
Other	1,240	1,413
	<u>\$ 87,540</u>	<u>\$ 83,965</u>

(b) Other revenues:

	2024	2023
Recoveries from sales of goods and services	\$ 49,009	\$ 42,173
Parking	7,449	6,715
Other	6,348	12,881
	<u>\$ 62,806</u>	<u>\$ 61,769</u>

(c) Other contributions:

	2024	2023
Federal government	\$ 71	\$ 46
Other	2,655	3,755
	<u>\$ 2,726</u>	<u>\$ 3,801</u>

VANCOUVER ISLAND HEALTH AUTHORITY

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Year ended March 31, 2024

15. Statement of operations (continued):

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

	2024	2023
Compensation:		
Compensation	\$ 2,270,225	\$ 1,945,354
Employee benefits	527,252	433,992
(Gain)/loss on event driven employee benefits	(905)	23,250
	2,796,572	2,402,596
Referred-out and contracted services:		
Health and support services providers	614,623	557,436
Other health authorities and BC government reporting entities	34,122	31,152
	648,745	588,588
Supplies:		
Medical and surgical	141,999	132,866
Drugs and medical gases	96,565	84,734
Diagnostic	29,550	27,856
Food and dietary	25,329	20,970
Laundry and linen	15,479	17,937
Printing, stationary and office	6,103	5,584
Housekeeping	5,696	5,802
Other	24,982	22,418
	345,703	318,167
Amortization of tangible capital assets	101,665	101,049
Equipment and building services:		
Equipment	126,517	112,297
Rent	34,635	29,305
Plant operations (utilities)	21,727	21,061
Building and ground service contracts	19,254	18,398
Other	9,998	7,509
	212,131	188,570
Sundry:		
Travel	18,299	15,960
Professional fees	14,044	8,343
Communication and data processing	10,758	10,118
Patient transport	7,681	6,280
Other	39,773	44,059
	90,555	84,760
Interest on debt	24,479	25,031
	\$ 4,219,850	\$ 3,708,761

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16. Supplementary cash flow information:

Net change in non-cash operating items:

	2024	2023
Accounts receivable	\$ 97,788	\$ (240,669)
Inventories held for sale	48	10
Accounts payable and accrued liabilities	86,139	81,738
Deferred operating contributions	(76)	(5,037)
Deferred research and designated contributions	519	(686)
Replacement reserves	(22)	2
Inventories held for use	(3,588)	(1,299)
Prepaid expenses	(2,410)	5,260
	\$ 178,398	\$ (160,681)

17. Related parties and other agencies:

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

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity.

(b) Key management personnel:

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

(c) Foundations and auxiliaries:

Within the Authority area, there are 30 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 \$17.3 million (2023 – \$24.2 million) to various facilities within the Authority.

18. Risk management:

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

18. Risk management (continued):

(a) Credit risk:

The Authority's exposure to and management of credit risk has not changed since March 31, 2023.

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, 2024, the amount of allowance for doubtful accounts was \$12.8 million (2023 – \$12.9 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, 2024, the following accounts receivable were due but not impaired:

	2024	2023
Current	\$ 259,003	\$ 363,293
30 days	2,679	1,150
60 days	188	357
90 days	42	69
Over 120 days	7,849	8,394
	<u>\$ 269,761</u>	<u>\$ 373,263</u>

(b) Liquidity risk:

The Authority's exposure to and management of liquidity risk has not changed since March 31, 2023.

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.

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

18. Risk management (continued):

(b) Liquidity risk (continued):

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

2024 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 391,199	\$ -	\$ -	\$ 391,199
Accounts receivable	284,262	25,972	3,273	313,507
Total financial assets	\$ 675,461	\$ 25,972	\$ 3,273	\$ 704,706

2024 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 526,892	\$ 6,812	\$ -	\$ 533,704
Debt	9,229	43,106	310,613	362,948
Total financial liabilities	\$ 536,121	\$ 49,918	\$ 310,613	\$ 896,652

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

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

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

VANCOUVER ISLAND HEALTH AUTHORITY

Notes to Financial Statements

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

Year ended March 31, 2024

18. Risk management (continued):

(c) Foreign exchange risk:

The Authority's exposure to and management of foreign exchange risk has not changed since March 31, 2023.

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:

	2024	2023
US dollar per Canadian dollar	\$ 0.738	\$ 0.739

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.