

Consolidated Financial Statements
(Expressed in thousands of dollars)

PROVIDENCE HEALTH CARE SOCIETY

Year ended March 31, 2025



**Providence
Health Care**

How you want to be treated.

STATEMENT OF MANAGEMENT RESPONSIBILITY

These consolidated financial statements of Providence Health Care Society (“Providence”) for the year ended March 31, 2025 have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) issued by the Public Sector Accounting Board (“PSAB”), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management’s responsibility. Management is also responsible for all the statements and notes, and for ensuring that this information is consistent, where appropriate, with the information contained in these consolidated financial statements.

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

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

Providence’s internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination considers internal control relevant to management’s preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purposes of expressing an opinion on the effectiveness of Providence’s internal controls. The external auditors have full and free access to the Audit and Finance Committee of the Board of Directors and meet a minimum of two times a year.

On behalf of Providence Health Care Society:

Fiona Dalton
President and Chief Executive Officer

Brian Simmers
Chief Financial Officer and Vice-President,
Health Informatics

Vancouver, Canada
June 18, 2025



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Independent Auditor's Report

To the Board of Directors of Providence Health Care Society, and
To the Minister of Health, Province of British Columbia

Opinion

We have audited the consolidated financial statements of Providence Health Care Society (the "Society"), which comprise the Consolidated Statement of Financial Position as at March 31, 2025, and the Consolidated Statements of Operations and Accumulated Operating Deficit, Changes in Net Debt, Cash Flows, and Remeasurement Gains for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Society as at and for the year ended March 31, 2025 are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (the "Act").

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 Consolidated Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 - Basis of Accounting

We draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared in order for the Society to meet the reporting requirements of the Act referred to above. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Act, and for such internal control as management determines is necessary to enable the preparation of 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 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 Society, or to cease operations, or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 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 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 Society'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 Society'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 consolidated 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 Society 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.



Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these consolidated financial statements fairly reflect, in all material respects, for the period under review, the financial position of Providence and the results of its operations. The financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are not considered a fair presentation financial reporting framework. As a result, our opinion stated above refers to the consolidated financial statements as complying in all material respects with financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.
- whether, in our opinion, these consolidated financial statements are prepared in accordance with generally accepted accounting principles. These consolidated financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Note 1(a) to these consolidated financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the consolidated financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and not to generally accepted accounting principles.
- whether these consolidated financial statements are prepared on a basis consistent with the basis on which the consolidated financial statements that related to the preceding period were prepared. We report that, in our opinion, the accounting policies applied in preparing consolidated 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 have been applied on a basis consistent with that of the preceding period.

Other Matter

- The consolidated financial statements of the Society for the year ended March 31, 2024, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on June 19, 2024.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 18, 2025

PROVIDENCE HEALTH CARE SOCIETY

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

March 31, 2025, with comparative information for 2024

	2025	2024
Financial assets		
Cash and cash equivalents (note 2)	\$ 287,413	\$ 237,245
Accounts receivable (note 3)	82,156	105,556
Sale proceeds receivable (note 4)	632,386	624,983
Investments	1,078	939
Long-term disability and health and welfare benefits (note 5(a)(i))	9,965	1,193
	<u>1,012,998</u>	<u>969,916</u>
Liabilities		
Accounts payable and accrued liabilities (notes 6 and 13(a))	410,497	412,599
Deferred operating contributions (note 7)	35,756	25,293
Debt (note 8)	633,629	638,294
Lease inducements	610	707
Retirement allowance (note 5(b))	57,471	54,529
Replacement reserves (note 9)	509	547
Deferred capital contributions (note 10)	1,740,537	1,153,790
Asset retirement obligations (note 12)	10,670	10,321
	<u>2,889,679</u>	<u>2,296,080</u>
Net debt	(1,876,681)	(1,326,164)
Non-financial assets		
Prepaid expenses	5,679	4,162
Inventories held-for-use (note 11)	10,945	10,333
Tangible capital assets (note 13)	1,765,443	1,215,357
	<u>1,782,067</u>	<u>1,229,852</u>
Accumulated deficit	\$ (94,614)	\$ (96,312)
Accumulated deficit is comprised of:		
Accumulated operating deficit	\$ (95,787)	\$ (96,873)
Accumulated remeasurement gains	1,173	561
	<u>\$ (94,614)</u>	<u>\$ (96,312)</u>

Commitments and contingencies (note 14)
Contractual rights (note 21)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



James Gorman
Director



Nelson Kwan
Director

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2025, with comparative information for 2024

	2025 Budget (notes 1(l) and 20)	2025	2024
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 959,367	\$ 1,014,776	\$ 934,689
Recoveries from other health authorities and BC government reporting entities	134,029	166,750	152,520
Pharmacare	108,298	95,638	97,783
Medical Services Plan	116,637	126,853	117,763
Patients, clients and residents (note 15(a))	51,094	63,428	58,289
Amortization of deferred capital contributions (note 10)	28,058	25,518	24,896
Investment	-	30	19
Other	28,422	51,147	57,229
	1,425,905	1,544,140	1,443,188
Expenses: (note 15(b))			
Acute	1,046,204	1,128,496	1,075,938
Corporate	106,852	127,471	104,734
Long-term care	90,475	99,403	97,424
Mental health and substance use	158,714	161,506	140,226
Community care	23,660	26,178	23,482
	1,425,905	1,543,054	1,441,804
Annual surplus	-	1,086	1,384
Accumulated operating deficit, beginning of year	(96,873)	(96,873)	(98,257)
Accumulated operating deficit, end of year	\$ (96,873)	\$ (95,787)	\$ (96,873)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2025, with comparative information for 2024

	2025 Budget (notes 1(l) and 20)	2025	2024
Annual surplus	\$ -	\$ 1,086	\$ 1,384
Acquisition of tangible capital assets	-	(576,433)	(515,929)
Disposal of tangible capital assets	-	-	386
Amortization of tangible capital assets	28,519	26,347	24,149
	28,519	(549,000)	(490,010)
Acquisition of inventories held-for-use	-	(159,811)	(118,792)
Acquisition of prepaid expenses	-	(18,391)	(18,093)
Consumption of inventories held-for-use	-	159,199	117,354
Use of prepaid expenses	-	16,874	17,930
	-	(2,129)	(1,601)
Net remeasurement gains	-	612	534
Decrease (increase) in net debt	28,519	(550,517)	(491,077)
Net debt, beginning of year	(1,326,164)	(1,326,164)	(835,087)
Net debt, end of year	\$ (1,297,645)	\$ (1,876,681)	\$ (1,326,164)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,086	\$ 1,384
Items not involving cash:		
Amortization of tangible capital assets (note 13)	26,347	24,149
Amortization of deferred capital contributions (note 10)	(25,518)	(24,896)
Amortization of lease inducements	(152)	(151)
Retirement allowance expense (note 5(b))	5,573	5,127
Long-term disability and health and welfare benefits expense (note 5(a)(i))	21,098	25,247
Asset retirement obligation remeasurement (note 12)	107	472
Gain on conversion of investment	(8)	-
	28,533	31,332
Net change in non-cash operating items (note 16)	28,308	51,318
Retirement allowance benefits paid (note 5(b))	(2,631)	(2,267)
Long-term disability and health and welfare benefits contributions (note 5(a)(i))	(29,870)	(24,671)
Net change in cash provided by operating activities	24,340	55,712
Capital activities:		
Cash used to acquire tangible capital assets	(579,317)	(473,326)
Net change in cash used in capital activities	(579,317)	(473,326)
Investing activities:		
Cash used to acquire investments	(209)	(426)
Net change in cash used in investing activities	(209)	(426)
Financing activities:		
Issuance of debt (note 8)	2,184,627	1,207,911
Repayment of debt (note 8)	(2,183,134)	(768,483)
Leasehold inducements	55	-
Capital contributions received in cash (note 10)	603,806	136,202
Net change in cash provided by financing activities	605,354	575,630
Increase in cash and cash equivalents	50,168	157,590
Cash and cash equivalents, beginning of year	237,245	79,655
Cash and cash equivalents, end of year	\$ 287,413	\$ 237,245
Non-cash transactions:		
Accretion of present value of Burrard Street property sale proceeds receivable (note 4)	\$ 7,403	\$ 7,315
Contributed tangible capital assets received	1,056	641
Change in accrued interest expense and foreign exchange capitalized	(5,546)	7,822
Asset retirement obligation remeasurement capitalized (note 12)	242	1,436
Conversion of promissory note to intangible and non-cash assets	78	-
Tangible capital assets pertaining to Design Build Finance payables (note 13(a))	-	30,225

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Remeasurement Gains
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains, beginning of year	\$ 561	\$ 27
Unrealized gains from:		
Foreign exchange on debt and foreign currency swaps	3,774	1,189
Realized gains capitalized to tangible capital assets:		
Foreign exchange on debt and foreign currency swaps	(3,162)	(655)
Net remeasurement gains for the year	612	534
Accumulated remeasurement gains, end of year	\$ 1,173	\$ 561

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

Providence Health Care Society (“Providence”) is incorporated under the *Societies Act* (British Columbia) and is funded by the Ministry of Health of the Province of British Columbia (the “Ministry”). Providence is a not-for-profit, Catholic faith-based organization and is a registered charity under the *Income Tax Act*, and as such, is exempt from income taxes.

Consolidated operations of Providence, situated in central Vancouver, provides acute care, long-term care, geriatric rehabilitation, continuing care, and other tertiary care services to the residents of the Greater Vancouver Regional Area and other residents of British Columbia (“BC”). Providence is responsible for operating several community dialysis clinics, hospices, addiction clinics, and has clinical operations on various sites: St. Paul’s Hospital, Holy Family Hospital, Mount Saint Joseph Hospital, Brock Fahrni Pavilion, St. Vincent’s Langara, Youville Residence, Chénchenstway and Honoria Conway at St. Vincent’s Heather.

Providence is a strategic partner with Vancouver Coastal Health Authority (“VCHA”). The formal relationship is delineated within an Affiliation Agreement signed by the respective parties on June 16, 1998. The Affiliation Agreement establishes Accountability Provisions, Operating Principles, Funding Guidelines, Dispute Mechanism, and Termination Rights between Providence and VCHA. Providence is dependent upon the Ministry and VCHA to provide sufficient funding to continue operations, to replace equipment and buildings, and to complete capital projects. Providence also operates under an agreement between the Province of BC and the Denominational Health Care Facilities Association.

1. Significant accounting policies:

(a) Basis of accounting:

These 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 these 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 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 and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met.

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 Revenue*; and
- deferred contributions meet the liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in these Consolidated Statement of Operations and Accumulated Operating Deficit and certain related deferred capital contributions in these Consolidated Statement of Financial Position would be recorded differently under PSAS.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(b) Basis of presentation and consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of Providence Health Care Ventures (“PHCV”), which is controlled by Providence and is fully consolidated in these consolidated financial statements. Inter-organizational transactions, balances, and activities are eliminated on consolidation.

Providence has collaborative relationships with certain foundations and other institutions, which support the activities of Providence and/or provide services under contracts. As Providence does not control these organizations, these consolidated financial statements do not include the assets, liabilities, and results of operations of these foundations and other institutions.

(c) Cash and cash equivalents:

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

(d) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight-line basis over the lease term.

(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 employers defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

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

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2024 - 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

The discount rate used to measure obligations 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 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 Providence 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.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities.

If the tangible capital asset is in productive use, the estimated obligation is recorded as a liability and increase to the related tangible capital asset. The increase to the tangible capital asset is amortized in accordance with the amortization accounting policy outlined in note 1(g)(i). The carrying value of the liability is reviewed at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and related tangible capital asset.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(f) Asset retirement obligations (continued):

If the tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The carrying value of the liability is reviewed at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and expense.

(g) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are initially 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 and realized gains and losses on foreign exchange swaps are capitalized over the development period whenever external debt and related foreign exchange swap 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 - 28 years
Buildings and building improvements	5 - 50 years
Equipment	1 - 20 years
Information systems	3 - 5 years
Leasehold improvements	Lesser of lease term or estimated useful life

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 Providence'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 and Accumulated Operating Deficit. Write-downs are not subsequently reversed.

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

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(g) 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.

(iii) Prepaid expenses:

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

(h) Revenue recognition:

Under the *Hospital Insurance Act and Regulation*, thereto, Providence is funded primarily by the Province of BC in accordance with budget arrangements established and approved by the Ministry and VCHA. Approved operating contributions are provided to Providence by the Ministry through VCHA.

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

Revenue from transactions without performance obligations is recognized at realizable value when Providence 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 Providence in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these consolidated 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 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(i) 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 these consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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

(j) Foreign currency translation:

Providence's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. For derivative agreements, foreign currency rates are secured at the time of placement.

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 date of the Consolidated Statement of Financial Position is recognized in the Consolidated Statement of Remeasurement Gains. In the period of settlement, the realized foreign exchange gains and losses are reversed from the Consolidated Statement of Remeasurement Gains and recognized in the Consolidated Statement of Operations and Accumulated Operating Deficit. Realized foreign exchange gains and losses related to fiscal agency loans are capitalized into tangible capital assets.

(k) 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. Investments are recorded at cost. Accounts receivables are recorded at cost less any amount for valuation allowance. Sale proceeds receivable are recorded at amortized cost. All debt and other financial liabilities are recorded using cost or amortized cost, except for foreign exchange swaps which are derivatives and measured at fair value.

Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations and Accumulated Operating Deficit, except for the interest expense on the fiscal agency loans (note 8(a)) and interest on sale proceeds described below which are capitalized.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

All financial assets recorded at cost or amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Operating Deficit.

For financial instruments measured using amortized cost, except for the sale proceeds receivable, the effective interest rate method is used to determine interest revenue or expense. For the sale proceeds receivable, the effective interest rate method is used with interest recognized in deferred capital contributions (note 10(a)).

Unrealized gains and losses on financial instruments carried at fair value are recognized in the Consolidated Statement of Remeasurement Gains until such time that the financial instrument is derecognized due to extinguishment, disposal or impairment. At the time of derecognition, the related realized gains and losses on financial instruments specifically for the construction and development of tangible capital assets is capitalized to the related tangible capital asset and the related balance reversed from the Consolidated Statement of Remeasurement Gains. Otherwise, realized gains and losses are reclassified to the Consolidated Statement of Operations and Accumulated Operating Deficit on derecognition.

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

(l) Budget figures:

Budget figures have been provided for comparative purposes. Note 20 reconciles the preliminary budget to the final approved budget reflected in the Consolidated Statement of Operations and Accumulated Operating Deficit. The budget reflected in the Consolidated Statement of Operations and Accumulated Operating Deficit for Providence was approved by its Board of Directors on November 27, 2024.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

1. Significant accounting policies (continued):

(m) Future accounting standards:

In October 2023, PSAB issued PS 1202 Financial Statement Presentation. PS 1202 proposes to increase the accountability value of financial statement in an understandable way, including changes on presentations and inclusion of financial statements to be included in the financial statement package. PS 1202 applies to fiscal years beginning on or after April 1, 2026. Management is in the process of assessing the impact of adoption of PS 1202 on the financial statements of Providence.

2. Cash and cash equivalents:

	2025	2024
Cash and cash equivalents	\$ 287,413	\$ 237,245
Less amounts externally restricted for:		
Capital projects	(224,357)	(172,292)
Operating (note 7)	(35,756)	(25,293)
Special purpose funds	(493)	(568)
Replacement reserves (note 9)	(509)	(547)
Patient comfort funds	(312)	(353)
Deferred Salary Leave Plan	(188)	(101)
Unrestricted cash and cash equivalents	\$ 25,798	\$ 38,091

3. Accounts receivable:

	2025	2024
Vancouver Coastal Health Authority	\$ 33,109	\$ 69,093
Patients, clients and residents	29,070	23,544
St. Paul's Foundation of Vancouver	11,809	10,773
Ministry of Health	10,018	151
Other health authorities and BC government reporting entities	9,793	10,509
Federal government	4,691	4,930
Medical Services Plan	2,403	1,854
Other	7,139	4,511
	108,032	125,365
Allowance for doubtful accounts	(25,876)	(19,809)
	\$ 82,156	\$ 105,556

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

4. Sale-leaseback of the Burrard Street property:

On July 31, 2020, Providence entered into a sale-leaseback transaction (the “Transaction”) for the property at 1081 Burrard Street in Vancouver (“Burrard Street property”) where St. Paul’s Hospital is located. The Burrard Street property was originally contributed to Providence by the Sisters of Charity of Providence in British Columbia, a Catholic faith-based entity. In accordance with the original contribution agreement and its bylaws under the *Societies Act* (British Columbia), Providence was required to obtain approval for the Transaction from the Roman Catholic Church (the “Church”). The Church provided this approval and restricted all proceeds for the budgeted expenditures for the new St. Paul’s Hospital site.

The Transaction comprised of total sale proceeds of \$850.0 million and a leaseback from the purchaser for seven years, with the option for Providence to extend the lease term by up to three additional years. As at March 31, 2025, the total lease payments for the remaining lease term are \$18.7 million (2024 - \$26.7 million) (note 14(c)) and will be recorded as expenses as incurred. Providence will maintain possession of the Burrard Street property until the end of the lease term. Currently the expected minimum extension needed will be 17 months, seeing Providence retain possession until December 31, 2028.

Under the terms of the lease agreement, an extension of any duration up to the allowable three years beyond July 31, 2027 triggers an adjustment in the lease rate. The new rate will reflect the prevailing Bank of Nova Scotia (BNS) prime rate +1.0%, times the sales proceeds received. The remainder of the sale proceeds is due on July 31, 2027. Using the BNS rate in effect at March 31, 2025 of 4.95%, and the future total sales proceeds received of \$850M, the annual lease rate for the Burrard Street property from August 1, 2027 to December 31, 2028 will increase to \$50.6 million per year.

Providence recorded \$847.5 million of the sale proceeds as deferred capital contributions in fiscal 2020/2021 (note 10). The capital contribution will be recognized as revenue at the same rate of amortization as the new St. Paul’s Hospital tangible capital assets which will be funded by the sale proceeds. The remaining \$2.5 million of the sale proceeds was recognized in other revenue in fiscal 2020/2021 as contributions for the \$2.5 million of transaction costs related to the sale, which is included in the budget for the new St. Paul’s Hospital site.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

4. Sale-leaseback of the Burrard Street property (continued):

Providence received \$125.0 million and \$75.0 million of the sale proceeds in cash in fiscal 2020/2021 and fiscal 2021/2022, respectively. The remaining sale proceeds of \$650.0 million are due at the end of the lease term. The sale proceeds receivable was recorded at the present value of the amounts due using a discount rate of 1.18% and the discounted value will be increased annually to its full amount by the end of the lease term. In fiscal 2020/21, the discount of \$46.9 million was recorded net of the deferred capital contribution for the sale proceeds. In fiscal 2024/2025, the accretion recorded on the sale proceeds receivable was \$7.4 million (2024 - \$7.3 million) (note 10(a)). The total discounted sale proceeds receivable as at March 31, 2025 is \$632.4 million (2024 - \$625.0 million).

5. Employee benefits:

(a) Healthcare Benefit Trust benefits:

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

Providence and all other participating employers are responsible for the liabilities of the Trust should any participating employer 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 Providence'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, Providence's net trust assets are reflected in these consolidated financial statements.

Providence's assets as of March 31, 2025 are based on the actuarial valuation at December 31, 2024, extrapolated to March 31, 2025. The next valuation will be as of December 31, 2025.

The fair value of plan assets below represents the market value of assets at December 31, 2024, the measurement date of the plan.

The long-term disability and health and welfare benefits asset reported on the Consolidated Statement of Financial Position is as follows:

	2025	2024
Accrued benefit obligation	\$ 65,356	\$ 64,301
Fair value of plan assets	(75,321)	(65,494)
Long-term disability and health and welfare benefits asset	\$ (9,965)	\$ (1,193)

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

5. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

	2025	2024
Long-term disability and health and welfare benefits asset, beginning of year	\$ (1,193)	\$ (1,769)
Net benefit expense:		
Long-term disability and health and welfare expense	24,861	20,737
Interest expense	3,695	3,365
Expected return on assets	(3,837)	(3,539)
Actuarial (gain) loss	(3,621)	4,684
Net benefit expense	21,098	25,247
Contributions to the plan	(29,870)	(24,671)
Long-term disability and health and welfare benefits asset, end of year	\$ (9,965)	\$ (1,193)
Benefits paid to claimants	\$ (27,191)	\$ (24,438)
Plan assets consist of:		
	2025	2024
Debt securities	37%	37%
Foreign equities	35%	36%
Canadian equities and other	28%	27%
Total	100%	100%

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

5. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

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

	2025	2024
Accrued benefit asset as at March 31:		
Discount rate	5.70%	5.80%
Rate of benefit increase:		
2023/2024	-	3.00%
2024/2025 and future years	2.25%	2.25%
Benefit cost for years ended March 31:		
Discount rate	5.80%	5.90%
Rate of compensation increase		
2022/2023	-	7.00%
2023/2024	3.00%	3.00%
2024/2025 and future years	2.25%	2.25%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.70%	5.80%

Actual rate of return on plan assets was 12.06% for the year ended December 31, 2024 (2023 - 9.61%).

(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. As these are multi-employer defined contribution plans, contributions are expensed when due and payable. During the year ended March 31, 2025, Providence made contributions to these joint benefit trusts totaling \$24.4 million (2024 - \$21.2 million).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

5. Employee benefits (continued):

(b) Retirement allowance:

Certain employees with 10- or 20-years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Providence's liabilities are based on an actuarial valuation as at March 31, 2025. The next full actuarial valuation will be performed with a valuation date no later than March 31, 2028.

Information about retirement allowance benefits are as follows:

	2025	2024
Accrued benefit obligation:		
Severance benefits	\$ 38,796	\$ 27,607
Sick leave benefits	24,095	23,514
	<u>62,891</u>	<u>51,121</u>
Unamortized actuarial (loss) gain	(5,420)	3,408
Accrued benefit liability	<u>\$ 57,471</u>	<u>\$ 54,529</u>

The accrued benefit liability for retirement allowance reported on the Consolidated Statement of Financial Position is as follows:

	2025	2024
Accrued benefit liability, beginning of year	\$ 54,529	\$ 50,146
Net benefit expense:		
Current service cost	4,259	3,996
Interest expense	1,867	1,729
Amortization of actuarial gain	(553)	(598)
	<u>5,573</u>	<u>5,127</u>
Accrued benefit obligation transfer	-	1,523
Benefits paid	(2,631)	(2,267)
Accrued benefit liability, end of year	<u>\$ 57,471</u>	<u>\$ 54,529</u>

On January 19, 2024, medical imaging staff of Providence, VCHA, Provincial Health Services Authority ("PHSA"), and Fraser Health Authority with site-specific roles transitioned employment to the respective health organizations where they work. Retirement allowance obligation associated with these employees was also transferred.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

5. Employee benefits (continued):

(b) Retirement allowance (continued):

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

	2025	2024
Accrued benefit obligation as at March 31:		
Discount rate	3.60%	3.49%
Rate of compensation increase:		
2021/2022 (retroactive impact determined in 2022/2023)	-	4.17%
2022/2023	-	7.00%
2023/2024	-	3.00%
2024/2025 and future years	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.49%	3.55%
Rate of compensation increase		
2021/2022	-	4.17%
2022/2023	-	7.00%
2023/2024	3.00%	3.00%
2024/2025 and future years	2.50%	2.50%
Expected future inflationary increase	2.00%	2.00%

(c) Employee pension benefits:

Providence and its employees contribute to the Municipal Pension Plan and Public Service Pension Plan (jointly trustee pension plans). The Boards of Trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

Employer contributions to the Municipal Pension Plan of \$55.2 million (2024 - \$48.6 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2021 indicated a funding surplus of approximately \$3,761.0 million for basic pension benefits on a going concern basis. As at December 31, 2023, the Municipal Pension Plan has about 256,000 active members, of which approximately 9,407 are employees of Providence (2024 - 8,727). The plan has approximately 129,000 retired members. The next expected actuarial valuation date will be as of December 31, 2024.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

5. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$0.1 million (2024 - \$0.1 million) were expensed during the year. The latest actuarial valuation for the plan at March 31, 2023, indicated a funding surplus of \$4,491.0 million for basic pension benefits on a going concern basis. As at March 31, 2024, the Public Service Pension Plan has about 76,000 active members, of which approximately 6 are employees of Providence (2024 -6). The plan has approximately 57,000 retired members. The next expected actuarial valuation date will be as of March 31, 2026.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans. The actuary does not attribute portions of the unfunded liability/surplus to individual employers.

6. Accounts payable and accrued liabilities:

	2025	2024
Trade accounts payable and accrued liabilities	\$ 283,184	\$ 277,846
Accrued salaries and benefits	88,116	99,099
Accrued vacation pay	39,197	35,654
	\$ 410,497	\$ 412,599

7. Deferred operating contributions:

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

	2025	2024
Deferred operating contributions, beginning of year	\$ 25,293	\$ 29,921
Contributions received in the year	15,519	4,138
Amount recognized as revenue in the year	(5,056)	(8,766)
Deferred operating contributions, end of year	\$ 35,756	\$ 25,293

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

8. Debt:

(a) Fiscal agency loans:

In 2022/2023, Providence entered into a fiscal agency loan agreement with the Ministry of Finance of the Province of BC to obtain interim financing of up to a maximum principal of \$625.0 million for the capital costs of the new St. Paul's Hospital site. The fiscal agency loans are issued in multiple tranches generally with maturities of less than 6-months. Some fiscal agency loans are denominated in US dollars ("USD"), and for which Providence will concurrently enter into a foreign exchange swap contract to fix the Canadian dollar amount due on settlement of the related USD denominated fiscal agency loan.

As at March 31, 2025, Providence has \$623.1 million (2024 - \$621.3 million) of loans and accrued interest of \$3.6 million (2024 - \$9.2 million) outstanding, of which \$211.1 million (2024 - \$266.5 million) of loans is denominated in US dollars (US\$150.1 million (2024 - US\$198.8 million)). As at March 31, 2025, Providence also has foreign currency swaps on the USD loans with a fair value of \$1.2 million (2024 - \$0.6 million) unrealized gain. The unrealized foreign exchange gain has been recognized in the Consolidated Statement of Remeasurement Gains.

The loans mature within 6 months of the financial reporting date and have various interest rates ranging from 2.48% to 3.49% (2024 - 4.89% to 5.20%) per annum. Interest expense, including realized foreign currency gain/loss and transaction fees, of \$25.7 million (2024 - \$18.7 million) is capitalized as a cost of the new St. Paul's Hospital tangible capital assets.

The fiscal agency loans are secured by a mortgage on the Station Street hospital site land parcel where the new St Paul's Hospital is being constructed.

(b) Other debt:

	2025
Industrial Alliance Insurance and Financial Services Inc. for the Honoria Conway at St. Vincent's Heather site, interest at 4.465% per annum, renewal date of June 1, 2034, secured by first charge on properties, payable in blended payments of \$53,443 per month	\$ 8,116
	2024
MCAP Financial Corporation Mortgage for the Honoria Conway at St. Vincent's Heather site, matured on June 1, 2024, interest at 3.22% per annum, secured by first charge on properties, payable in blended payments of \$48,153 per month	\$ 8,401

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

8. Debt (continued):

(b) Other debt (continued):

Required blended payments on the mortgage for the years ending March 31 are as follows:

2026	\$	641
2027		641
2028		641
2029		641
2030		641
Thereafter		7,622
		<u>10,829</u>
Less: interest		(2,713)
	\$	<u>8,116</u>

9. Replacement reserves:

The replacement reserves of \$0.5 million as of March 31, 2025 (2024 - \$0.5 million) represent the accumulated provision specified by the British Columbia Housing Commission and are funds for replacement of appliances and equipment for the benefit of Honoria Conway at St. Vincent's Heather.

10. Deferred capital contributions:

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

	2025	2024
Deferred capital contributions, beginning of year	\$ 1,153,790	\$ 1,032,435
Capital contributions received or receivable:		
Vancouver Coastal Health Authority	587,996	119,505
St. Paul's Foundation of Vancouver	6,723	6,053
Providence Health Care Research Institute	-	233
Accretion of present value of Burrard Street property sale proceeds receivable (note 10(a))	7,403	7,315
Other	10,143	13,145
	<u>612,265</u>	<u>146,251</u>
Amortization for the year	(25,518)	(24,896)
Deferred capital contributions, end of year	<u>\$ 1,740,537</u>	<u>\$ 1,153,790</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

10. Deferred capital contributions (continued):

(a) In fiscal 2020/2021, Providence recognized deferred capital contributions of \$847.5 million related to the sale of the Burrard Street property (note 4). The capital contribution is adjusted annually to reflect the accretion of the sale proceeds receivable.

Deferred capital contributions are comprised of the following:

	2025	2024
Contributions used to purchase tangible capital assets	\$ 1,542,298	\$ 973,664
Unspent contributions	198,239	180,126
	<u>\$ 1,740,537</u>	<u>\$ 1,153,790</u>

11. Inventories held-for-use:

	2025	2024
Pharmaceuticals	\$ 10,066	\$ 9,253
Medical supplies	879	1,080
	<u>\$ 10,945</u>	<u>\$ 10,333</u>

12. Asset retirement obligations:

Providence's asset retirement obligations include asbestos and other hazardous materials in buildings, removal of underground fuel tanks and restoration clauses in lease agreements for leasehold improvements.

	Asbestos and other hazardous materials	Fuel tanks	Leasehold improvements	2025 Total	2024 Total
Balance, beginning of year	\$ 6,599	\$ 324	\$ 3,398	\$ 10,321	\$ 8,413
Adjustment capitalized to tangible capital assets from change in estimates	170	2	70	242	1,436
Adjustment expensed from change in estimates	-	89	18	107	472
Balance, end of year	<u>\$ 6,769</u>	<u>\$ 415</u>	<u>\$ 3,486</u>	<u>\$ 10,670</u>	<u>\$ 10,321</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

13. Tangible capital assets:

Cost	2024	Additions	Disposals	Transfers	2025
		(note 13(a))			
Land	\$ 48,509	\$ -	\$ -	\$ -	\$ 48,509
Land improvements	1,280	-	-	270	1,550
Buildings and building improvements	158,420	172	-	5,912	164,504
Equipment	239,983	10,678	(4,250)	1,899	248,310
Information systems	58,042	1,516	-	-	59,558
Leasehold improvements	48,124	83	-	10,374	58,581
Construction and equipment in progress	1,073,807	563,984	-	(18,455)	1,619,336
	\$ 1,628,165	\$ 576,433	\$ (4,250)	\$ -	\$ 2,200,348

Accumulated amortization	2024	Amortization	Disposals	Transfers	2025
Land improvements	\$ 254	\$ 90	\$ -	\$ -	\$ 344
Buildings and building improvements	119,298	4,323	-	-	123,621
Equipment	208,556	12,216	(4,250)	-	216,522
Information systems	54,005	2,228	-	-	56,233
Leasehold improvements	30,695	7,490	-	-	38,185
	\$ 412,808	\$ 26,347	\$ (4,250)	\$ -	\$ 434,905

Cost	2023	Additions	Disposals	Transfers	2024
Land	\$ 46,416	\$ 2,479	\$ (386)	\$ -	\$ 48,509
Land improvements	1,280	-	-	-	1,280
Buildings and building improvements	150,112	544	-	7,764	158,420
Equipment	239,485	10,261	(11,187)	1,424	239,983
Information systems	56,537	778	(12)	739	58,042
Leasehold improvements	40,442	1,071	-	6,611	48,124
Construction and equipment in progress	589,549	500,796	-	(16,538)	1,073,807
	\$ 1,123,821	\$ 515,929	\$ (11,585)	\$ -	\$ 1,628,165

Accumulated amortization	2023	Amortization	Disposals	Transfer	2024
Land improvements	\$ 189	\$ 65	\$ -	\$ -	\$ 254
Buildings and building improvements	115,698	3,600	-	-	119,298
Equipment	207,014	12,729	(11,187)	-	208,556
Information systems	51,619	2,398	(12)	-	54,005
Leasehold improvements	25,338	5,357	-	-	30,695
	\$ 399,858	\$ 24,149	\$ (11,199)	\$ -	\$ 412,808

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

13. Tangible capital assets (continued):

Net book value	2025	2024
Land	\$ 48,509	\$ 48,509
Land improvements	1,206	1,026
Buildings and building improvements	40,883	39,122
Equipment	31,788	31,427
Information systems	3,325	4,037
Leasehold improvements	20,396	17,429
Construction and equipment in progress	1,619,336	1,073,807
	\$ 1,765,443	\$ 1,215,357

Additions of construction and equipment in progress for the 2024/25 fiscal year includes \$496.2 million (2024 - \$474.2 million) for the new St. Paul's Hospital site, \$43.4 million (2024 - \$7.4 million) for the new Clinical Research and Support Centre, and \$6.5 million (2024 - \$3.6 million) for St. Vincent's Heather Long-term Care Home.

During the year ended March 31, 2025, interest expense, including realized foreign exchange gain/loss and transaction fees, from the fiscal agency loans (note 8(a)) of \$47.1 million (2024 - \$21.4 million) is capitalized in construction and equipment in progress.

As at March 31, 2025, included in construction in progress is \$171.2 million (2024 - \$171.2 million) of holdbacks pertaining to a Design Build Finance agreement, which does not bear interest and will be paid by Providence on substantial completion of the new St. Paul's Hospital.

Tangible capital assets are funded as follows:

	2025	2024
Deferred capital contributions	\$ 916,785	\$ 343,771
Debt (note 8)	633,629	638,294
Design Build Finance agreement	171,159	171,159
Internally funded	43,870	62,133
Tangible capital assets	\$ 1,765,443	\$ 1,215,357

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

14. Commitments and contingencies:

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

In fiscal 2020/2021 Providence entered into a construction contract for the new St. Paul's Hospital on the Station Street site. The outstanding commitment on this construction contract as at March 31, 2025 is \$371.8 million (2024 - \$808.9 million). Providence entered into additional purchase commitments for equipment for the new hospital with outstanding commitments for equipment as at March 31, 2025 at \$91.6 million (2024 - \$76.8 million).

In fiscal 2024/2025, Providence entered into a construction contract for the new Clinical Research and Support Centre on the Station Street site. The outstanding commitment on this construction contract as at March 31, 2025 is \$55.6 million (2024 - \$nil).

In fiscal 2024/2025, Providence entered into a construction contract for St. Vincent's Heather Long-term Care Home. The outstanding commitment on this construction contract as at March 31, 2025 is \$6.2 million (2024 - \$nil). As at March 31, 2025, Providence also has outstanding commitments for other construction, equipment and information systems in progress of \$40.0 million (2024 - \$43.1 million).

(b) Contractual obligations:

Providence has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

2026	\$ 26,997
2027	20,875
2028	3,137
2029	3,146
2030	2,925
Thereafter	7,757
	<hr/>
	\$ 64,837

(c) Operating leases:

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

2026	\$ 18,319
2027	17,202
2028	11,584
2029	8,492
2030	8,112
Thereafter	25,358
	<hr/>
	\$ 89,067

Included in the operating lease payments is \$18.7 million (2024 - \$26.7 million) for the leaseback of the Burrard Street property (note 4).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

14. Commitments and contingencies (continued):

(d) Litigation and claims:

Risk management and insurance services for Providence are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of Providence's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2025, management is of the opinion that Providence 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 Providence's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided based on management's best estimate of the ultimate settlement.

(e) Letter of credit:

As at March 31, 2025, Providence has issued four letters of credit to the City of Vancouver for a total of \$7.7 million (2024 - \$5.9 million). Separate placements of \$1.8 million, \$2.0 million, \$2.4 million and \$1.5 million are automatically renewed annually.

15. Consolidated statement of operations:

(a) Patients, clients and residents revenues:

	2025	2024
Non-residents of Canada	\$ 19,953	\$ 17,340
Non-residents of BC	19,732	18,104
Long-term care and extended care	13,837	12,588
WorkSafe BC	4,721	4,824
Residents of BC self-pay	1,087	1,427
Federal government	434	476
Preferred accommodation	44	90
Other	3,620	3,440
	<u>\$ 63,428</u>	<u>\$ 58,289</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

15. Consolidated statement of operations (continued):

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

	2025	2024
Compensation:		
Compensation	\$ 854,234	\$ 762,811
Employee benefits	179,384	155,981
(Gain) loss on event-driven employee benefits	(3,621)	4,684
	<u>1,029,997</u>	<u>923,476</u>
Referred out and contracted services:		
Other health authorities and BC government reporting entities (notes 17(a) and (c))	102,573	125,071
Health and support services providers	54,167	60,108
	<u>156,740</u>	<u>185,179</u>
Supplies:		
Drugs and medical gases	106,962	104,539
Medical and surgical	80,855	74,523
Diagnostic	17,112	17,103
Food and dietary	9,437	2,683
Housekeeping	2,487	1,741
Laundry and linen	2,219	2,168
Printing, stationery and office	2,010	2,100
Other	9,162	8,750
	<u>230,244</u>	<u>213,607</u>
Equipment and building services:		
Equipment	18,777	19,314
Rent	18,714	16,686
Plant operations	6,949	6,925
Building and grounds service contracts	3,568	3,043
Other	5,144	4,683
	<u>53,152</u>	<u>50,651</u>
Amortization of tangible capital assets (note 13)	26,347	24,149
Sundry:		
Professional fees	15,645	15,930
Travel	3,950	3,143
Patient transport	2,572	1,999
Communications and data processing	1,963	1,846
Other	22,096	21,551
	<u>46,226</u>	<u>44,469</u>
Interest on debt	348	273
	<u>\$ 1,543,054</u>	<u>\$ 1,441,804</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

16. Supplementary cash flow information:

Net change in non-cash operating items:

	2025	2024
Accounts receivable	\$ 23,400	\$ 20,124
Accounts payable and accrued liabilities	(3,388)	36,094
Deferred operating contributions	10,463	(4,628)
Retirement allowance obligation transfer	-	1,523
Replacement reserves	(38)	(194)
Prepaid expenses	(1,517)	(163)
Inventories held-for-use	(612)	(1,438)
	\$ 28,308	\$ 51,318

17. Related parties and other agencies:

The following are types of related parties. 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. 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.

(a) BC government reporting entities:

Providence is related 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. Included in referred out and contracted services expenses, as outlined in note 15(b), are amounts measured at the exchange amount, which is the amount established and agreed to by the related parties. These values may be different from that which would have been arrived at if the parties were unrelated.

(b) Key management personnel and their close family members:

Providence has deemed the Board of Directors and Senior Leadership Team to be key management personnel based on the definition in PS 2200, *Related Party Disclosures*. Key management personnel confirm annually, through the completion of a declaration, whether there are any related party transactions with Providence for themselves and their close family members.

(c) Provincial Health Services Authority and Vancouver Coastal Health Authority:

Providence accesses the services provided by Provincial Health Services Authority (“PHSA”) through an agreement with VCHA whereby Providence appoints VCHA as its agent in connection with the provision of services in order to improve cost effectiveness by working collaboratively on common services. PHSA is a BC government reporting entity (note 17(a)) and transactions with PHSA are included in note 15(b).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

18. Trust Under Administration:

Providence Health Care Research Institute (“PHCRI”) is a hospital-based research institute, and the research arm of Providence, and a senate approved institute with the University of British Columbia (“UBC”). PHCRI supports over 800 investigators, trainees and research staff and manages research funding across multiple entities. PHCRI operates under the joint governance of Providence, the Providence Research Institute Trust (“PRI Trust”) and UBC, and is a registered charity under the Income Tax Act. The PRI Trust is a Trust Under Administration of Providence as Providence is not a beneficiary. Providence’s consolidated financial statements do not include the financial and non-financial assets or liabilities of PHCRI, nor the results of PHCRI’s operations. PHCRI’s assets consist of cash, investments, accounts receivable and other sundry assets. The liabilities consist of accounts payable and deferred contributions.

	2025	2024
Assets	\$ 60,055	\$ 56,786
Liabilities	(38,776)	(39,083)
Net assets	\$ 21,279	\$ 17,703

PHCRI’s financial statements are prepared in accordance with Canadian accounting standards for non-for-profit organizations.

19. Risk management:

Providence is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from Providence’s financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from Providence’s cash and cash equivalents, accounts receivable and sale proceeds receivable. The risk exposure is limited to their varying amounts at the date of the Statement of Financial Position.

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

Accounts receivable primarily consists 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, Providence 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, 2025, the amount of allowance for doubtful accounts was \$25.9 million (2024 - \$19.8 million).

Providence is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

The sale proceeds receivable is fully secured by a mortgage on the related property (note 4).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

19. Risk management (continued):

(b) Liquidity risk:

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

Providence's principal source of funding is from VCHA and the Ministry through ongoing annual operating grants provided to Providence through VCHA. Providence 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. Providence has complied with the external restrictions on the funding provided.

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

2025 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 287,413	\$ -	\$ -	\$ 287,413
Accounts receivable	82,156	-	-	82,156
Sale proceeds receivable	-	632,386	-	632,386
Total financial assets	\$ 369,569	\$ 632,386	\$ -	\$ 1,001,955

2025 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 239,095	\$ 171,402	\$ -	\$ 410,497
Debt	625,802	1,288	6,539	633,629
Total liabilities	\$ 864,897	\$ 172,690	\$ 6,539	\$ 1,044,126

2024 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 237,245	\$ -	\$ -	\$ 237,245
Accounts receivable	105,556	-	-	105,556
Sale proceeds receivable	-	624,983	-	624,983
Total financial assets	\$ 342,801	\$ 624,983	\$ -	\$ 967,784

2024 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 241,440	\$ 171,159	\$ -	\$ 412,599
Debt	630,178	1,233	6,883	638,294
Total liabilities	\$ 871,618	\$ 172,392	\$ 6,883	\$ 1,050,893

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

19. Risk management (continued):

(c) Foreign exchange risk:

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

Providence makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar. Providence maintains a US dollar denominated bank account to minimize foreign exchange risk on these transactions. Comparative foreign exchange rates as at March 31 are as follows:

	2025	2024
US dollar per Canadian dollar	\$ 0.696	\$ 0.738

Providence has debt under a fiscal agency loan agreement that is denominated in US dollars (note 8(a)). Providence concurrently enters into foreign exchange swap contracts where the US dollar debt repayments are swapped for Canadian dollar repayment at a fixed exchange rate to mitigate the exposure to foreign exchange risk.

20. Budget figures:

The preliminary budget, as approved by the Board of Directors on May 22, 2024, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The final budget was approved by Providence's Board of Directors on November 27, 2024. The changes are as follows:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 970,700	\$ (11,333)	\$ 959,367
Recoveries from other health authorities and BC government reporting entities	123,529	10,500	134,029
Pharmacare	105,598	2,700	108,298
Medical Services Plan	103,100	13,537	116,637
Patients, clients and residents	48,500	2,594	51,094
Amortization of deferred capital contributions	25,100	2,958	28,058
Other	28,373	49	28,422
	1,404,900	21,005	1,425,905
Expenses:			
Acute	1,052,500	(6,296)	1,046,204
Corporate	115,100	(8,248)	106,852
Long-term care	90,100	375	90,475
Mental health and substance use	123,900	34,814	158,714
Community care	23,300	360	23,660
	1,404,900	21,005	1,425,905
Annual surplus (deficit)	\$ -	\$ -	\$ -

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2025

21. Contractual rights:

Providence has contractual rights from an agreement for approximately \$0.1 million per annum ending in December 31, 2025 which is reimbursement for utilities, waste removal services, housekeeping, repair and maintenance and other similar items.

22. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2025, Providence paid total remuneration of \$759.6 million (2024 - \$665.5 million) to all employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Providence paid \$0.2 million (2024 - \$0.2 million) of remuneration to its Board of Directors.

23. Comparative information:

Certain comparative information has been reclassified to conform to this year's consolidated financial statements presentation. There was no impact on the prior year annual surplus, net debt or accumulated surplus as a result of these reclassifications.