Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2026

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2026 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

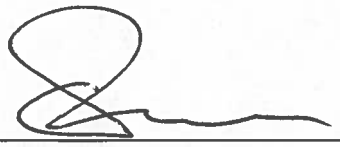
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor regularly.

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

On behalf of Northern Health Authority



Ciro Panessa
President and Chief Executive Officer
June 15, 2026

Mark De Croos
Vice President, Financial & Corporate Services/Chief Financial Officer
June 15, 2026

KPMG LLP
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada
Telephone 250-563-7151
Fax 250-563-5693

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2026
- 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, 2026 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Prince George, Canada

June 15, 2026

NORTHERN HEALTH AUTHORITY

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

As at March 31, 2026, with comparative information for 2025

	2026	2025
Financial assets		
Cash and cash equivalents (note 2)	$ 176,271	$ 181,753
Accounts receivable (note 3)	144,141	121,311
Healthcare Benefit Trust benefits (note 9(b))	61,521	60,322
Loan receivable (note 4)	5,170	-
	387,103	363,386
Liabilities		
Accounts payable and accrued liabilities (note 5)	292,826	256,879
Deferred operating contributions (note 6)	22,947	12,534
Obligations under public-private partnership (note 7)	29,485	29,800
Debt (note 8)	2,613	2,931
Retirement allowance (note 9(a))	53,900	49,705
Deferred capital contributions (note 10)	1,948,365	1,712,662
Asset retirement obligation (note 11)	43,426	42,832
	2,393,562	2,107,343
Net debt	(2,006,459)	(1,743,957)
Non-financial assets		
Tangible capital assets (note 12)	1,951,623	1,691,055
Inventories held for use (note 13)	12,214	11,325
Prepaid expenses	7,568	6,251
	1,971,405	1,708,631
Accumulated deficit	**$ (35,054)**	**$ (35,326)**

Commitments and contingencies (note 14)

Approved on behalf of the Board:

Director

Director

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2026, with comparative information for 2025

	2026 Budget (note 1(l),19)	2026	2025
Revenues:			
Ministry of Health contributions	$ 1,396,600	$ 1,410,970	$ 1,294,161
Medical Services Plan	180,200	189,604	176,930
Amortization of deferred capital contributions	74,700	76,520	72,287
Patients, clients and residents (note 15(a))	56,000	56,057	53,357
Recoveries from other health authorities and BC government reporting entities	20,100	44,660	27,732
Other contributions (note 15(b))	16,600	16,036	17,088
Investment income	5,100	4,321	9,061
Other revenues (note 15(c))	15,300	21,386	21,756
	1,764,600	1,819,554	1,672,372
Expenses (note 15(d)):			
Acute	1,005,900	1,021,577	939,449
Community care	282,000	289,685	262,833
Long term care	189,300	196,307	198,266
Mental health and substance use	85,400	98,775	90,234
Population health and wellness	52,800	52,278	50,171
Corporate	149,200	160,660	147,480
	1,764,600	1,819,282	1,688,433
Annual operating surplus (deficit)	-	272	(16,061)
Accumulated deficit, beginning of year	(35,326)	(35,326)	(19,265)
Accumulated deficit, end of year	$ (35,326)	$ (35,054)	$ (35,326)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2026, with comparative information for 2025

	2026 Budget (note 1(l))	2026	2025
Annual operating surplus (deficit)	$ -	$ 272	$ (16,061)
Acquisition of tangible capital assets	(543,159)	(340,327)	(341,405)
Amortization of tangible capital assets	77,904	79,027	66,881
Loss on disposal of tangible capital assets	-	608	371
Proceeds from the disposal of tangible capital assets	-	124	90
	(465,255)	(260,296)	(290,124)
Increase of inventories held for use	-	(889)	(1,399)
Change in prepaid expenses	-	(1,317)	389
	-	(2,206)	(1,010)
Increase in net debt	(465,255)	(262,502)	(291,134)
Net debt, beginning of year	(1,743,957)	(1,743,957)	(1,452,823)
Net debt, end of year	$ (2,209,212)	$ (2,006,459)	$ (1,743,957)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in) operating activities:		
Annual surplus (deficit)	$ 272	$ (16,061)
Items not involving cash:		
Amortization of deferred capital contributions	(76,520)	(72,287)
Amortization of tangible capital assets	79,027	66,881
Transfer of tangible capital assets	(182)	-
Loss on disposal of tangible capital assets	608	371
Retirement allowance expense	6,587	5,121
Long-term disability benefits expense	20,478	6,501
Accretion expense (note 11)	768	1,088
Accrued interest on loan receivable	(170)	-
	30,868	(8,386)
Net change in non-cash operating items (note 16(a))	21,324	(40,985)
Retirement allowance benefits paid	(2,392)	(2,713)
Long-term disability benefits contributions	(21,677)	(29,778)
Net change in cash from operating activities	28,123	(81,862)
Capital activities:		
Acquisition of tangible capital assets (note 16(b))	(340,145)	(341,405)
Increase in asset retirement obligations (note 11)	-	116
Settlement of asset retirement obligation (note 11)	(174)	(3,522)
Proceeds from the disposal of tangible capital assets	124	90
Net change in cash used in capital activities	(340,195)	(344,721)
Investing activities:		
Loan advances	(5,000)	-
Net change in cash from investing activities	(5,000)	-
Financing activities:		
Capital contributions	312,223	329,190
Change in obligations under public-private partnership	(315)	62
Repayment of debt	(318)	(310)
Net change in cash from financing activities	311,590	328,942
Decrease in cash and cash equivalents	(5,482)	(97,641)
Cash and cash equivalents, beginning of year	181,753	279,394
Cash and cash equivalents, end of year	$ 176,271	$ 181,753

Supplementary cash flow information (note 16(c))

Northern Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001, with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a registered charity under the *Income Tax Act,* and as such, is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well-being of people who live in the north region and those referred from outside the region.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for 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 taxpayer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

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

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services.

If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

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

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

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

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

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

(b) 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 short-term 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 amount for 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 the valuation allowance are recognized in the statement of operations. Interest is accrued on any loans receivable to the extent it is deemed collectable.

(d) 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 employee life and 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.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

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

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 (2025 – 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

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

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

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

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(e) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following 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 liability is initially recorded at fair value, which is an amount that is the best estimate of the expenditure required to retire a tangible capital asset determined using present value methodology, and the resulting costs are capitalized as part of the carrying amount of the related tangible capital asset.

1. Significant accounting policies (continued):

(e) Asset retirement obligation (continued):

This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. The changes in the liability for the passage of time are recorded as accretion expense in the Statement of Operations and Accumulated Deficit and all other changes are adjusted to the tangible capital asset. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The increase to the tangible capital assets is being amortized in accordance with the depreciation policies outlined in 1(f).

(f) 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	10 - 50 years
Equipment and vehicles	3 - 20 years
Information systems	3 - 10 years
Assets under capital lease and leasehold improvements	Lease term

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

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

Contributed tangible capital assets are recorded at their fair 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.

1. Significant accounting policies (continued):

(f) Non-financial assets:

(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.

(g) 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.

Revenue from transactions with performance obligations is 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.

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

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

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

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

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

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

1. Significant accounting policies (continued):

(h) Measurement uncertainty:

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

Significant areas requiring the use of estimates include the valuation of accounts receivable, collectability of loan receivables, 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.

(i) Foreign currency translation:

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

(j) Financial instruments:

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

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

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

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

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

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

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

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

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

(k) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by the private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred 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 the contributions received is recorded as a liability and included in debt.

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

(l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2025/2026 Budget approved by the Board of Directors on October 22, 2025. Note 19 reconciles the approved budget to the budget reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

(Tabular amounts expressed in thousands of dollars)

1. Significant accounting policies (continued):

(m) Future accounting standards:

In October 2023, the PSAB issued PS 1202, *Financial Statement Presentation*, effective for fiscal years beginning on or after April 1, 2026. PS 1202 replaces PS 1201 and revises the definitions and classifications of financial statement elements, including assets, liabilities, revenues, and expenses. PS 1202 also introduces new presentation and disclosure requirements for the statement of financial position, statement of operations, statement of changes in net debt, and statement of cash flows. The Authority is currently evaluating the impact of this new standard. The financial impact, if any, will be reflected in the period the standard is adopted.

2. Cash and cash equivalents:

		2026		2025
Cash and cash equivalents	$	176,271		181,753
Cash restricted for the following:				
Unspent capital contributions		40,721		66,082
Deferred operating contributions		22,947		12,534
Guaranteed investment certificate held as collateral		922		-
Replacement reserves		297		366
Patient comfort funds		177		174
P3 project		-		160
		65,064		79,316
Unrestricted cash and cash equivalents		111,207		102,437
	$	176,271	$	181,753

(Tabular amounts expressed in thousands of dollars)

3. Accounts receivable:

	2026	2025
Ministry of Health	$ 33,934	$ 42,010
Medical Services Plan	52,108	34,981
Regional Hospital Districts	19,390	4,214
Other health authorities and BC government reporting entities	14,008	15,128
Patients, clients and residents	12,964	11,324
Foundations and auxiliaries	7,990	4,097
Federal government	2,342	3,076
WorkSafe BC	730	946
Other grantors	3,924	7,577
	147,390	123,353
Allowance for doubtful accounts (note 18(a))	(3,249)	(2,042)
	$ 144,141	$ 121,311

4. Loan receivable:

On June 17, 2025, the Authority entered into an agreement with Providence Living Society – Prince George to assist in financing cash collateral required for the construction of a long-term care facility in Prince George, British Columbia. The unsecured loan has a principal amount of $5.0 million, the maximum amount advanced by the Authority. The loan bears interest at 4.33% per annum and is repayable no later than September 30, 2028. As at March 31, 2026, the loan is recorded at $5.17 million, including accrued interest.

5. Accounts payable and accrued liabilities:

	2026	2025
Trade accounts payable and accrued liabilities	$ 138,374	$ 130,298
Salaries and benefits payable	104,844	81,509
Accrued vacation pay	49,608	45,072
	$ 292,826	$ 256,879

(Tabular amounts expressed in thousands of dollars)

6. Deferred operating contributions:

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

	2026	2025
Deferred operating contributions, beginning of year	$ 12,534	$ 16,345
Contributions received during the year	34	3,056
Transferred from (to) deferred capital contributions	19,500	(2,799)
Amounts recognized as revenue in the year	(9,121)	(4,068)
Deferred operating contributions, end of year	$ 22,947	$ 12,534

7. Obligations under public-private partnership:

	2026	2025
Fort St. John Hospital and Peace Villa, 30 year contract to May 2042 with ISL Health (FSJ) General Partnership, payable in monthly payments including annual interest of 14.76%, in accordance with the project agreement terms	$ 29,485	$ 29,800
	$ 29,485	$ 29,800

Required net principal repayments on P3 debt for the years ending March 31 are as follows:

2027	$ 871
2028	1,232
2029	1,144
2030	(111)
2031	(134)
Thereafter	26,483
	$ 29,485

The repayments amount for 2030 and 2031 reflect a net increase in the P3 debt due to annual expenses of $3,873 thousand exceeding capital payment of $3,762 thousand by $111 thousand in 2030 and annual expenses of $3,889 thousand exceeding capital payment of $3,755 thousand by $134 thousand in 2031.

(Tabular amounts expressed in thousands of dollars)

8. Debt:

	2026	2025
Mortgage payable to MCAP Financial Corporation, at an interest rate of 2.62%, payable in payments of $11,417 per month, with a maturity date of May 2037, secured by building and first charge on properties. Renewal date is May 1, 2027.	$ 1,326	$ 1,427
Mortgage payable to People's Trust, at an interest rate of 2.965%, payable in payments of $8,549 per month, with a maturity date of September 2037, secured by building and first charge on properties. Renewal date is October 1, 2027.	1,000	1,072
Mortgage payable to Canada Mortgage and Housing Corporation ("CMHC"), at an interest rate of 2.26% payable in payments of $12,774 per month. The mortgage is secured by first charges on the property. The mortgage matures in February 2028.	287	432
	$ 2,613	$ 2,931

Required principal repayments on these mortgages for the years ending March 31 are as follows:

2027	$ 326
2028	321
2029	188
2030	193
2031	198
Thereafter	1,387
	$ 2,613

(Tabular amounts expressed in thousands of dollars)

9. Employee benefits:

(a) 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 or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2025, and extrapolated to March 31, 2026, from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2026 are derived.

Information about retirement allowance benefits is as follows:

	2026	2025
Accrued benefit obligation:		
Severance benefits	$ 35,690	$ 34,022
Sick leave benefits	21,046	19,097
	56,736	53,119
Unamortized actuarial loss	(2,836)	(3,414)
Accrued benefit liability	$ 53,900	$ 49,705

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

	2026	2025
Accrued benefit liability, beginning of year	$ 49,705	$ 47,297
Net benefit expense:		
Current service cost	4,447	3,800
Interest expense	1,984	1,724
Amortization of actuarial loss (gain)	156	(403)
Net Benefit Expense	6,587	5,121
Benefits paid	(2,392)	(2,713)
Accrued benefit liability, end of year	$ 53,900	$ 49,705

(Tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2026	2025
Accrued benefit liability as at March 31:		
Discount rate	3.73%	3.60%
Rate of compensation increase 2025-2028	3.00%	2.50%
Rate of compensation increase thereafter	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.60%	3.49%
Rate of compensation increase	2.50%	2.50%
Rate of compensation increase thereafter	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

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

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

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regard to long-term disability benefits after September 30, 1997, and employee life and health benefits after March 31, 2004. Accordingly, the Authority's net trust assets (liabilities) are reflected in these financial statements.

The Authority's assets as of March 31, 2026, are based on the actuarial valuation at December 31, 2025, extrapolated to March 31, 2026. The next expected valuation will be as of December 31, 2026.

(Tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

The long-term disability and employee life and health benefits asset reported on the statement of financial position is as follows:

	2026	2025
Fair value of plan assets	$ 123,663	$ 114,374
Accrued benefit obligation	62,142	54,052
Net asset	$ 61,521	$ 60,322

	2026	2025
Net asset, beginning of year	$ 60,322	$ 37,045
Net benefit expense:		
Long-term disability expense	(22,459)	(20,835)
Interest expense	(3,067)	(3,386)
Return on assets	6,589	5,601
Contribution adjustment	493	(1,422)
Actuarial gain (loss)	(2,082)	13,482
	(20,526)	(6,560)
Transfer of affiliate pool	48	59
Net benefit expense:	(20,478)	(6,501)
Contributions to the plan	21,677	29,778
Net asset, end of year	$ 61,521	$ 60,322
Benefits paid to claimants	$ 22,022	$ 19,402

(Tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

Plan assets consist of:

	2026	2025
Debt securities	38.7%	37.0%
Foreign equities	35.8%	35.3%
Equity securities and other	25.5%	27.7%
Total	100.0%	100.0%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability and employee life and health benefits asset are as follows:

	2026	2025
Accrued benefit obligation as at March 31:		
Discount rate	5.60%	5.70%
Benefit indexing	2.25%	2.25%
Benefit indexing thereafter	2.25%	2.25%
Benefit costs for years ended March 31:		
Discount rate	5.70%	5.80%
Benefit indexing (2025)	2.25%	2.25%
Benefit indexing thereafter	2.25%	2.25%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.70%
Actual rate of return on plan assets	9.00%	12.06%

(c) Joint Benefit Trust benefits:

The Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association, jointly with employers, manage joint benefit trusts to provide long term disability and employee life and health benefits to these groups of employees. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2026, the Authority made contributions to these joint benefit trusts totalling $29.47 million (2025 - $27.85 million).

(Tabular amounts expressed in thousands of dollars)

9. Employee benefits (continued):

(d) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan (jointly trusted pension plans). The plans are multi-employer defined benefit plans governed by the BC Public Sector Pension Plans Act.

Employer contributions to the Municipal Pension Plan of $59.16 million (2025 - $51.26 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, 2024, indicated a funding surplus of approximately $2,675 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 273,000 active members, of which approximately 9,749 are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2027, with results available in 2028.

Employer contributions to the Public Service Pension Plan of $0.11 million (2025 - $0.12 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 80,000 active members, of which approximately 9 are employees of the Authority. The Authority's next actuarial valuation date will be as of March 31, 2026, with results available in 2027.

10. Deferred capital contributions:

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

		2026		2025
Deferred capital contributions, beginning of year	$	1,712,662	$	1,455,759
Capital contributions received:				
Ministry of Health		201,035		282,669
Regional Hospital Districts		122,548		37,297
Foundations and Auxiliaries		6,919		6,042
Transferred (to) from deferred operating contributions		(19,500)		2,799
Other		1,221		383
		312,223		329,190
Amortization for the year		(76,520)		(72,287)
Deferred capital contributions, end of year	$	1,948,365	$	1,712,662

(Tabular amounts expressed in thousands of dollars)

10. Deferred capital contributions (continued):

Deferred capital contributions comprise of the following:

		2026		2025
Contributions used to purchase tangible capital assets	$	1,907,644	$	1,646,580
Unspent contributions		40,721		66,082
	$	1,948,365	$	1,712,662

11. Asset retirement obligation

The Authority owns and operates facilities that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The Authority also owns underground fuel storage tanks, and the removal of fuel storage tanks is regulated to reduce the risk of release of petroleum products. The Authority recognizes an obligation relating to the removal of the asbestos and for the cost of safe disposal of underground fuel storage tanks.

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

		2026		2025
Asset retirement obligation, beginning of year	$	42,832	$	45,150
Liability settled		(174)		(3,522)
Accretion expense		768		1,088
Increase in asset retirement obligations		-		116
Asset retirement obligation, end of year	$	43,426	$	42,832

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets:

Cost	2025	Additions	Disposals	Transfers	2026
Land	$ 4,875	$ -	$ -	$ -	$ 4,875
Land improvements	5,808	-	-	50	5,858
Buildings	1,771,122		(22,283)	83,627	1,832,466
Equipment and vehicles	269,846	-	(12,445)	25,950	283,351
Information systems	130,451	-	(55,647)	795	75,599
Leasehold improvements	23,332	-	-	28	23,360
Construction in progress	339,747	306,289	-	(83,155)	562,881
Equipment and information systems in progress	15,398	34,038	-	(27,295)	22,141
Total	$ 2,560,579	$ 340,327	$ (90,375)	$ -	$ 2,810,531

Accumulated amortization	2025	Amortization	Disposals	Transfers	2026
Land improvements	$ 5,637	$ 56	$ -	$ -	$ 5,693
Buildings	564,577	45,908	(21,951)	-	588,534
Equipment and vehicles	172,245	24,381	(12,196)	-	184,430
Information systems	114,187	6,214	(55,496)	-	64,905
Leasehold improvements	12,878	2,468	-	-	15,346
Total	$ 869,524	$ 79,027	$ (89,643)	$ -	$ 858,908

Cost	2024	Additions	Disposals	Transfers	2025
Land	$ 4,780	$ -	$ -	$ 95	$ 4,875
Land improvements	5,808	-	-	-	5,808
Buildings	1,063,740		(462)	707,844	1,771,122
Equipment and vehicles	232,129	-	(10,361)	48,078	269,846
Information systems	122,050	-	(1,268)	9,669	130,451
Leasehold improvements	15,990	-	-	7,342	23,332
Construction in progress	773,764	281,336	-	(715,353)	339,747
Equipment and information systems in progress	13,004	60,069	-	(57,675)	15,398
Total	$ 2,231,265	$ 341,405	$ (12,091)	$ -	$ 2,560,579

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets (continued):

Accumulated amortization	2024	Amortization	Disposals	Transfers	2025
Land improvements	$ 5,578	$ 59	$ -	$ -	$ 5,637
Buildings	528,970	36,067	(460)	-	564,577
Equipment and vehicles	161,045	21,219	(10,019)	-	172,245
Information systems	107,576	7,762	(1,151)	-	114,187
Leasehold improvements	11,104	1,774	-	-	12,878
Total	$ 814,273	$ 66,881	$ (11,630)	$ -	$ 869,524

Net book value	2026	2025
Land	$ 4,875	$ 4,875
Land improvements	165	171
Buildings	1,243,932	1,206,545
Equipment and vehicles	98,921	97,601
Information systems	10,694	16,264
Leasehold improvements	8,014	10,454
Construction in progress	562,881	339,747
Equipment and information systems in progress	22,141	15,398
Total	$ 1,951,623	$ 1,691,055

Tangible capital assets are funded as follows:

	2026	2025
Deferred capital contributions	$ 1,907,644	$ 1,646,580
Public-private partnership	29,485	29,800
Internally funded	11,881	11,744
Debt	2,613	2,931
Tangible capital assets	$ 1,951,623	$ 1,691,055

13. Inventories held for use:

	2026	2025
Pharmaceuticals	$ 8,061	$ 6,472
Medical supplies	4,153	4,853
	$ 12,214	$ 11,325

(Tabular amounts expressed in thousands of dollars)

14. Commitments and contingencies:

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

As at March 31, 2026, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of $158.82 million (2025 – $368.53 million).

(b) Contractual obligations:

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

2027	$	143,915
2028		55,309
2029		9,017
2030		8,034
2031		601
Thereafter		165
	$	217,042

(c) Long term care contracts:

The Authority has entered into contracts with six service providers to provide long term care services. The aggregate annual commitments for these contracts for the years ending March 31 are as follows:

2027	$	16,433
2028		20,022
2029		23,570
2030		21,525
2031		22,170
Thereafter		413,363
	$	517,083

(Tabular amounts expressed in thousands of dollars)

14. Commitments and contingencies (continued):

(d) Operating leases:

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

2027	$	13,671
2028		11,734
2029		10,211
2030		8,906
2031		7,150
Thereafter		16,064
	$	67,736

(e) Public-private partnership (P3) commitments:

The Authority has entered into a multiple-year P3 contract to design, build, finance, and maintain the Fort St. John Hospital and Residential Care Project. The information presented below shows the anticipated cash outflow for all future obligations under this contract for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. Construction costs are recorded as a capital asset and the corresponding liabilities are recorded as debt and disclosed in note 7. FM and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

		Interest on Debt	FM and lifecycle	Debt repayment	Total payments
2027	$	4,352	8,683	871	13,906
2028		4,223	9,018	1,232	14,473
2029		4,041	9,660	1,144	14,845
2030		3,873	11,096	(111)	14,858
2031		3,889	10,909	(134)	14,664
Thereafter		37,128	113,460	26,483	177,071
	$	57,506	$ 162,826	$ 29,485	$ 249,817

(Tabular amounts expressed in thousands of dollars)

14. Commitments and contingencies (continued):

(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2026, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

15. Statement of operations:

(a) Patients, clients and residents revenue:

		2026	2025
Long-term and extended care	$	30,548	29,097
Non-residents of BC		10,509	9,549
WorkSafe BC		5,675	6,417
Non-residents of Canada		3,498	3,335
Uninsured residents		2,564	2,121
Residents of BC-self pay		2,484	2,070
Other		779	768
	$	56,057	53,357

(b) Other contributions:

		2026	2025
Provincial Health Services Authority	$	7,398	6,956
Other BC government reporting entities		3,171	4,063
Other		5,467	6,069
	$	16,036	17,088

(Tabular amounts expressed in thousands of dollars)

15. Statement of operations (continued):

(c) Other revenues:

		2026	2025
Recoveries from the sale of goods and services	$	10,069	11,225
Compensation recoveries		9,145	8,486
Other		2,172	2,045
	$	21,386	21,756

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

		2026		2025
Compensation:				
Compensation	$	853,663	$	761,971
Employee benefits		222,846		182,291
Purchased services - physicians		201,861		181,611
Purchased services - other		58,104		101,829
		1,336,474		1,227,702
Supplies:				
Medical and surgical		42,155		39,396
Drugs and medical gases		34,140		27,731
Diagnostic		16,218		16,721
Food and dietary		14,425		14,358
Laundry and linen		6,156		6,509
Housekeeping		3,781		4,340
Printing, stationery and office		3,045		3,365
Other		10,951		11,066
		130,871		123,486
Referred-out and contracted services:				
Health and support service providers		103,152		97,102
Other health authorities and BC government reporting entities		6,390		6,050
		109,542		103,152
Amortization of tangible capital assets		79,027		66,881
Equipment and building services:				
Equipment expenses		45,801		58,700
Rent		17,491		14,936
Utilities		12,642		13,159
Service contracts		9,695		10,688
Other		7,417		11,870
		93,046		109,353

(Tabular amounts expressed in thousands of dollars)

15. Statement of operations (continued):

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

	2026	2025
Sundry:		
Travel and accommodation - GoHealth BC	26,347	13,461
Travel and accommodation - Other	3,512	5,946
Professional fees	5,311	4,444
Patient transport	4,809	3,824
Communication and data processing	3,254	3,301
Other	22,002	22,047
	65,235	53,023
Interest on debt	4,479	4,465
Loss on disposal of tangible capital assets	608	371
	$ 1,819,282	$ 1,688,433

16. Supplementary cash flow information:

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

	2026	2025
Accounts receivable	$ (22,830)	$ (37,995)
Accounts payable and accrued liabilities	35,947	1,831
Deferred operating contributions	10,413	(3,811)
Inventories held for use	(889)	(1,399)
Prepaid expenses	(1,317)	389
	$ 21,324	$ (40,985)

(b) Acquisition of tangible capital assets:

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

	2026	2025
Externally funded acquisitions	$ 337,402	341,405
Internally funded acquisitions	2,743	-
	$ 340,145	$ 341,405

16. Supplementary cash flow information (continued):

(c) Supplementary cash flow information:

	2026	2025
Interest paid	$ 4,479	$ 4,465
Interest received	$ 4,321	$ 9,061

17. Related party and other agency operations:

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

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. The health authorities provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the statement of operations and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the financial statements approximate fair value.

(b) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team, and their close family members, to be key management personnel for the purpose of PS 2200 Related Party Disclosure.

17. Related party and other agency operations (continued):

(c) Foundations and auxiliaries:

Within the Authority area, there are 25 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 (British Columbia)* with separate governance structures. The foundations and the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted $7.63 million (2025 - $6.94 million) to various facilities within the Authority.

Auxiliary to GR Baker Memorial Hospital
Auxiliary to University Hospital of Northern British Columbia Society
Bulkley Valley & District Hospital Auxiliary
Bulkley Valley Health Care & Hospital Foundation
Burns Lake & District Health Care Auxiliary
Chetwynd Hospital Foundation
Dawson Creek & District Auxiliary Society
Dawson Creek Hospital Foundation
Dr. REM Lee Foundation
Fort Nelson Hospital & Healthcare Foundation
Fort Nelson Hospital Auxiliary
Fort St. John Hospital Foundation
Fort St. John Hospital Ladies Auxiliary
Kitimat General Hospital Auxiliary
Kitimat Hospital Foundation
Mackenzie Hospital Auxiliary
McBride & District Hospital Auxiliary
Mills Memorial Hospital Auxiliary
North Coast Health Improvement Society
QCI Hospital Days Foundation
Spirit of the North Health Care Foundation
St. John Hospital Auxiliary Society
Stuart Lake Hospital Auxiliary Society
Wrinch Memorial Foundation
Wrinch Memorial Hospital Auxiliary

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 by type of risk below.

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and loan receivable. The Authority manages credit risk by holding balances of cash and cash equivalents with top rated financial institutions. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

Accounts receivable primarily consist of amounts receivable from the Ministry, other Health Authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts. As at March 31, 2026, the amount of allowance for doubtful accounts was $3.25 million (2025 - $2.04 million).

(Tabular amounts expressed in thousands of dollars)

18. Risk management (continued):

(b) Liquidity risk

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

The Authority's principal source of funding is from the Ministry. The Authority is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Authority has complied with the external restrictions on the funding provided.

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

2026 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 175,349	$ 922	$ -	$ 176,271
Accounts receivable	144,141	-	-	144,141
Loan receivable	-	5,170	-	5,170
	$ 319,490	$ 6,092	$ -	$ 325,582

2026 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 292,826	$ -	$ -	$ 292,826
Obligations under public-private partnership	871	2,131	26,483	29,485
Debt	326	900	1,387	2,613
	$ 294,023	$ 3,031	$ 27,870	$ 324,924

(Tabular amounts expressed in thousands of dollars)

18. Risk management (continued):

(b) Liquidity risk (continued):

2025 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 181,753	$ -	$ -	$ 181,753
Accounts receivable	121,311			121,311
Loan receivable	-	-	-	-
	$ 303,064	$ -	$ -	$ 303,064

2025 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 256,879	$ -	$ -	$ 256,879
Obligations under public-private partnership	314	3,136	26,350	29,800
Debt	318	1,028	1,585	2,931
	$ 257,511	$ 4,164	$ 27,935	$ 289,610

The maturity dates of the remaining financial assets and liabilities cannot be determined and therefore, are excluded from the above amounts.

(c) Foreign exchange risk

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

The Authority makes payments denominated in US dollars, and other currencies. Currencies most contributing to the foreign exchange risk are US dollars.

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short term in nature and do not give rise to significant foreign currency risk.

(Tabular amounts expressed in thousands of dollars)

19. Budget

The original budget, as approved by the Board on October 22, 2025, has been adjusted to reflect additional contributions from the Ministry of Health. The changes are as follows:

	Board approved plan	Additional Ministry contributions	Restated budget
Revenue:			
Ministry of Health contributions	$ 1,395,800	$ 800	$ 1,396,600
Medical Services Plan	180,200	-	180,200
Amortization of deferred capital contributions	74,700	-	74,700
Patients, clients and residents	56,000	-	56,000
Recoveries from other health authorities and BC government reporting entities	20,100	-	20,100
Other contributions	16,600	-	16,600
Investment income	5,100	-	5,100
Other revenues	15,300	-	15,300
	$ 1,763,800	$ 800	$ 1,764,600
Expenses:			
Acute	$ 1,005,900	$ -	$ 1,005,900
Community care	282,000	-	282,000
Long term care	189,300	-	189,300
Mental health and substance use	85,000	400	85,400
Population health and wellness	52,800	-	52,800
Corporate	148,800	400	149,200
	$ 1,763,800	$ 800	$ 1,764,600
Annual operating surplus	$ -	$ -	$ -

20. Comparative figures:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes had no impact on prior year annual surplus.

21. Subsequent events:

Subsequent to March 31, 2026, the Province of British Columbia announced future health system administrative restructuring through the creation of BC Shared Health Services (BCSHS), a provincial shared services organization intended to consolidate certain non-clinical support functions currently delivered across health authorities. In-scope for BCSHS are legal, supply chain, finance, human resources, data and analytics, health system planning, digital communications, and information management/information technology functions.

The Authority is continuing to assess the implications of this transition, including scope, implementation timing, governance, and any associated financial impacts. At this time, the financial effect cannot be reasonably estimated.