Consolidated Financial Statements of

VANCOUVER COASTAL HEALTH AUTHORITY

Year Ended March 31, 2026

Statement of Management Responsibility

The financial statements of Vancouver Coastal 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 internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

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 no fewer than four times a year and the external auditors a minimum of two times a year.

The Authority's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the 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 financial statements. The external auditors have full and free access to management and the Audit and Finance Committee of the Board and meet with each on a regular basis.

On behalf of Vancouver Coastal Health Authority

Vivian Eliopoulos
President & Chief Executive Officer

Fernando Pica
Chief Financial Officer and VP, Strategic Business Services

Vancouver, BC
June 17, 2026

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Vancouver Coastal Health Authority (the "Authority"), which comprise the Consolidated Statement of Financial Position as at March 31, 2026, the Consolidated Statements of Operations and Accumulated Surplus, changes in net debt, and cash flows (together, the "Financial Statements") for the year then ended, and notes to the consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated Financial Statements of the Authority as at and for the year ended March 31, 2026 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 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 – 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 Authority 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 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 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 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 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 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 Authority 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 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.

BDO Canada LLP
Chartered Professional Accountants

Vancouver, British Columbia
June 26, 2026

VANCOUVER COASTAL HEALTH AUTHORITY

Consolidated Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2026

	2026	2025
Financial assets		
Cash and cash equivalents (note 2)	$ 751,923	$ 635,338
Portfolio investments (note 3)	3,494	3,268
Accounts receivable (note 4)	387,968	323,084
Loans receivable (note 5)	2,360	7,605
Long-term disability and health and welfare benefits (note 12(b)(i))	118,836	118,287
Inventories held for sale	191	283
	1,264,772	1,087,865
Liabilities		
Accounts payable and accrued liabilities (note 7)	850,913	702,788
Deferred operating revenue (note 8)	7,920	4,861
Deferred research and designated revenue (note 9)	22,815	19,849
Debt (note 10)	79,956	84,399
Asset retirement obligations (note 11)	102,248	98,221
Retirement allowance (note 12(a))	175,593	160,350
Replacement reserves	-	716
Deferred capital contributions (note 13)	2,321,275	2,241,616
	3,560,720	3,312,800
Net debt	(2,295,948)	(2,224,935)
Non-financial assets		
Tangible capital assets (note 14)	2,363,576	2,287,649
Inventories held for use (note 15)	14,782	14,464
Prepaid expenses (note 16)	51,873	54,326
	2,430,231	2,356,439
Accumulated surplus	**$ 134,283**	**$ 131,504**

Commitments and contingencies (note 17)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

____________________ Director

____________________ Director

William Duvall, Board Chair

John McLaughlin, Chair Audit & Finance Committee

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2026

	2026 Budget (note 1(o))	2026	2025
Revenues:			
Ministry of Health contributions	$ 5,153,154	$ 5,932,784	$ 5,787,911
Medical Services Plan	468,332	513,539	464,870
Other contributions (note 18(a))	211,321	239,639	217,462
Patients, clients and residents (note 18(b))	192,231	208,706	206,631
Amortization of deferred capital contributions (note 13)	184,227	199,604	186,658
Recoveries from other health authorities and BC government reporting entities	109,978	134,357	123,286
Other (note 18(c))	42,634	88,923	88,754
Research and designated revenue (note 9)	20,000	26,625	22,726
Investment income	6,377	6,444	20,373
PharmaCare	4,194	4,860	4,617
	6,392,448	7,355,481	7,123,288
Expenses (note 18(d)):			
Acute	3,457,927	4,048,087	4,029,710
Long term care	853,841	958,953	906,205
Community care	692,793	810,771	725,339
Mental health and substance use	628,402	714,257	665,652
Corporate	615,342	673,380	644,086
Population health and wellness	144,143	147,254	151,155
	6,392,448	7,352,702	7,122,147
Annual surplus	$ -	$ 2,779	$ 1,141
Accumulated surplus, beginning of year	131,504	131,504	130,363
Accumulated surplus, end of year	$ 131,504	$ 134,283	$ 131,504

The accompanying notes are an integral part of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2026

	2026 Budget (note 1(o))	2026	2025
Annual surplus	$ -	$ 2,779	$ 1,141
Acquisition of tangible capital assets	(426,415)	(284,722)	(315,563)
Transfer of tangible capital assets	-	(865)	-
Amortization of tangible capital assets	193,680	209,660	195,088
	(232,735)	(73,148)	(119,334)
Acquisition of inventories held for use	-	(181,241)	(169,406)
Acquisition of prepaid expenses	-	(88,397)	(82,600)
Consumption of inventories held for use	-	180,923	169,068
Use of prepaid expenses	-	90,850	67,257
	-	2,135	(15,681)
Increase in net debt	(232,735)	(71,013)	(135,015)
Net debt, beginning of year	(2,224,935)	(2,224,935)	(2,089,920)
Net debt, end of year	$ (2,457,670)	$ (2,295,948)	$ (2,224,935)

The accompanying notes are an integral part of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows
(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2026

	2026	2025
Cash flows from operating transactions:		
Annual surplus	$ 2,779	$ 1,141
Items not involving cash:		
Amortization of deferred capital contributions	(199,604)	(186,658)
Amortization of tangible capital assets	209,660	195,088
Transfer of tangible capital assets	(865)	-
Accretion expense	4,027	2,457
Retirement allowance expense	21,965	18,020
Long term disability, health and welfare benefits expense	58,949	47,560
Interest expense	4,337	4,559
Investment income	(6,444)	(20,373)
	94,804	61,794
Net change in non-cash operating items (note 19)	95,576	11,734
Interest paid	(4,337)	(4,559)
Interest received	6,444	20,373
Retirement allowance contributions	(6,722)	(7,445)
Long term disability, health and welfare benefits contributions	(59,498)	(91,144)
Net change in cash from operating transactions	126,267	(9,247)
Capital transactions:		
Acquisition of tangible capital assets	(284,722)	(315,563)
Net change in cash from capital transactions	(284,722)	(315,563)
Investing transactions:		
Repayment of loan receivable	446	1,008
Loan advances	-	(4,799)
Acquisition of portfolio investments	(226)	(329)
Net change in cash from investing transactions	220	(4,120)
Financing transactions:		
Principal repayments on debt	(4,443)	(4,008)
Capital contributions received	279,263	276,711
Net change in cash from financing transactions	274,820	272,703
Increase/(decrease) in cash and cash equivalents	116,585	(56,227)
Cash and cash equivalents, beginning of year	635,338	691,565
Cash and cash equivalents, end of year	$ 751,923	$ 635,338

Supplementary cash flow information (note 19)

The accompanying notes are an integral part of these financial statements.

Vancouver Coastal 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 Vancouver Coastal region and those referred from outside the region.

1. Significant accounting policies:

The financial statements of the Authority are prepared by management in accordance with significant accounting policies as follows:

(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 senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

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

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

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

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 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 Revenue; and
- deferred contributions meet 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) Basis of presentation:

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (note 20(b)).

The consolidated financial statements include the assets, liabilities, revenue and expenses of Seymour Health Care Centre Inc.

(c) Affiliated organization:

Within the Authority's geographical region, there is one denominational health care organization, Providence Health Care ("PHC", the "Affiliate"), which has the responsibility to manage the administration of certain health care facilities under affiliation agreements with the Authority. This Affiliate is a separate legal entity with a separate Board of Directors and accordingly, these financial statements do not include their assets, liabilities or results of operations. However, the funds received from the Ministry on behalf of this Affiliate are recorded as Ministry of Health contributions, and funds transferred to the Affiliate are recorded as expenses in the statement of operations. As the Authority's performance agreement with the Ministry includes the performance of this Affiliate, information on the equity and results of operations of the Affiliate is provided in note 20(c) of these financial statements.

1. Significant accounting policies (continued):

(d) 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 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.

(e) Accounts receivable:

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

(f) Employee benefits:

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

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

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

The cumulative unrecognized actuarial gains and losses 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 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 that 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.

1. Significant accounting policies (continued):

(f) Employee benefits (continued):

(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.

(g) Asset retirement obligation:

Legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities, are required to be recorded as liabilities.

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.

Changes in assumptions in subsequent years are reflected as changes to the liability amount and to the related asset in the year they arise.

The liability is adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The amounts added to capital assets affected by the asset retirement obligations are amortized following the depreciation accounting policies outlined in note 1(k).

(h) Public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred 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. 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 over the term of the project agreement to cover the partner's operating costs, financing costs and a return of the capital.

(i) Investment in subsidiary:

The subsidiary is classified as an other government organization. The financial statements of the subsidiary are consolidated into the financial statements of the Authority (note 6).

1. Significant accounting policies (continued):

(j) 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
Buildings	5 - 50 years
Equipment and information systems	3 - 20 years
Leasehold improvements	lease term
Buildings under capital lease	50 years

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority’s ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are 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 the fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Leased tangible capital assets:

Tangible capital assets acquired under a lease which transfers substantially all of the benefits and risks incidental to ownership of property are recorded as leased tangible capital assets with an offsetting obligation under capital lease. All other leases are accounted for as operating leases and the related payments are charged to expense as incurred.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs. The discount rate used to determine the present value of the lease payments is the lower of the Authority’s rate for incremental borrowing or the interest rate implicit in the lease.

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(iii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

(iv) Inventories held for sale:

Inventories held for sale are recorded at the lower of cost and net recoverable amount.

(v) Prepaid expenses:

Prepaid expenses include cash disbursements for future events, and operational costs, which will be charged to expense when the future benefit is received or realized.

(k) 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. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

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

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

1. Significant accounting policies (continued):

(l) 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 financial instruments, valuation of asset retirement obligations, collectability of accounts receivables, collectability of loan receivables, the estimated useful lives of tangible capital assets, estimating provisions for 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.

(m) 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.

(n) Financial instruments:

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

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments are equity investments recorded at fair value. 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 financial asset to reflect a loss in value is not reversed for a subsequent increase in value.

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

1. Significant accounting policies (continued):

(n) Financial instruments (continued):

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.

(o) 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 December 4, 2025. The budget is reflected in the statement of operations and the statement of changes in net debt.

(p) 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 the Authority.

(tabular amounts expressed in thousands of dollars)

2. Cash and cash equivalents:

	2026	2025
Provincial Treasury Central Deposit program (note 21(a))	$ 110,145	$ 355,938
Cash and cash equivalents	641,778	279,400
	751,923	635,338
Amounts restricted for capital purposes (note 13)	(284,306)	(285,949)
Amounts restricted for research and designated purposes	(22,516)	(20,419)
Amounts restricted for patient comfort funds	(1,058)	(1,144)
Amounts restricted for replacement reserves	-	(716)
Unrestricted cash and cash equivalents	$ 444,043	$ 327,110

3. Portfolio investments:

Portfolio investments are comprised of the investments previously held by Little Mountain Residential Care and Housing Society that were transferred to the Authority on March 30, 2022.

	2026	2025
Fixed income	$ 2,469	$ 2,416
Canadian equity	594	512
U.S. equity	384	307
Foreign equity	47	33
Total portfolio investments at fair value	$ 3,494	$ 3,268

4. Accounts receivable:

	2026	2025
Ministry of Health	$ 217,534	$ 128,913
Patients, clients and residents	136,662	124,102
Other health authorities and BC government reporting entities	71,022	86,200
Foundations and auxiliaries	38,663	39,299
Medical Services Plan	8,718	8,055
WorkSafeBC	3,659	3,905
Federal government	3,625	7,397
Other	33,019	43,702
	512,902	441,573
Allowance for doubtful accounts	(124,934)	(118,489)
	$ 387,968	$ 323,084

Of the amount of allowance for doubtful accounts, $119.2M (2025 - $109.8M) relates to patients, clients, and residents. The majority of this amount relates to Non-Residents of Canada and Uninsured Residents.

(tabular amounts expressed in thousands of dollars)

5. Loans receivable:

		2026		2025
VGH Parkade Trust (a)	$	2,360	$	2,806
Jewish Home For The Aged Of British Columbia (b)		-		2,800
Sunshine Coast Hospice Society (c)		-		1,999
Loans receivable	$	2,360	$	7,605

(a) VGH Parkade Trust

The loan consists of funds advanced to 578583 BC Ltd. who holds beneficial ownership in the VGH Parkade and earns the associated revenue.

578583 BC Ltd., a corporation, which is the trustee of the VGH Parkade Trust and is wholly owned by the VGH and UBC Hospital Foundation.

The agreement matures on December 31, 2030 and earns interest at a fixed rate of 3.70%.

(b) Jewish Home for The Aged of British Columbia (“JHA”)

A Memorandum of Agreement (“MOA”) dated August 8, 2024 was signed between the Authority and JHA. The purpose of this MOA is to set out the expectation of the parties and terms that apply to the financial assistance to be provided by the Authority. The Authority provided funding to JHA, $2.8M, solely for the purpose of settling their line of credit with TD bank for the redevelopment of the lands and existing buildings where it provides long-term care services to the Authority’s clients.

In October 2025, the loan to JHA was written off.

(c) Sunshine Coast Hospice Society

On August 1, 2024, the Authority entered into an agreement with Sunshine Coast Hospice Society (the “Borrower”) to assist in financing the acquisition of 3173 Mossy Rock Road, Roberts Creek, BC (the “Property”) and construction of a hospice on the Property. The forgivable loan consisted of a demand non-revolving acquisition and renovation loan of $3.0M, the maximum loan amount approved by the Authority.

In Fiscal 2026, the loan to Sunshine Coast Hospice Society was expensed as a grant as the conditions of forgiveness are expected to be met.

(tabular amounts expressed in thousands of dollars)

6. Acquisition of assets and operations of Seymour Health Care Centre Inc.

Effective April 1, 2024, the Authority acquired the assets and operations of Seymour Health Care Centre Inc. (Seymour). Seymour, a for-profit corporation, is now a wholly owned subsidiary of the Authority providing primary care services in Vancouver and Richmond and is consolidated into these financial statements as of April 1, 2024. The acquisition and subsequent operations relating to Seymour had an immaterial impact on the balances and operation of the Authority.

7. Accounts payable and accrued liabilities:

	2026	2025
Trade accounts payable and accrued liabilities	$ 403,360	$ 346,037
Salaries and benefits payable	302,168	224,990
Accrued vacation pay	145,385	131,761
	$ 850,913	$ 702,788

8. Deferred operating revenue:

Deferred operating revenue represent externally restricted operating funding received for specific purposes, including grants from provincial ministries for various programs and community initiatives. Funds received for exchange transactions, environmental health permits and parking paid in advance, are recorded as deferred operating revenue and recognized throughout the fiscal year.

	2026	2025
Deferred operating revenue, beginning of year	$ 4,861	$ 4,900
Amounts received during the year	7,083	2,830
Amounts recognized as revenue in the year	(4,024)	(2,869)
Deferred operating revenue, end of year	$ 7,920	$ 4,861

(tabular amounts expressed in thousands of dollars)

9. Deferred research and designated revenue:

Deferred research and designated revenue represent unspent funds received for research and other activities through the Vancouver Coastal Health Research Institute and the Prostate Research Centre which are divisions of the Authority. Contributions are received from pharmaceutical companies and other donors for various research projects to promote the health and well-being of residents within the region.

	2026	2025
Deferred research and designated contributions, beginning of year	$ 19,849	$ 20,102
Amounts received during the year	29,591	22,473
Amounts recognized as revenue in the year	(26,625)	(22,726)
Deferred research and designated contributions, end of year	$ 22,815	$ 19,849

10. Debt:

	2026	2025
Gordon & Leslie Diamond Health Care Centre, 30-year contract to August 2036 with Access Health Vancouver Ltd., payable in monthly payments at a fixed annual interest rate of 5.37%, payable in accordance with the project agreement terms	$ 79,956	$ 84,399
	$ 79,956	$ 84,399

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 17(e).

11. Asset retirement obligation:

The Authority's asset retirement obligation consists of the following obligations:

(a) Asbestos obligation:

The Authority owns and operates several buildings 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 buildings were originally purchased in various years, and the liability was measured as of the date of purchase of the buildings, when the liability was assumed.

As a result of recent high levels of inflation, an inflation adjustment increase in estimates of 4.1% between April 1, 2025 and March 31, 2026 is used to represent the percentage increase based on Canada Building Construction Price Index (BCPI) information.

(tabular amounts expressed in thousands of dollars)

11. Asset retirement obligation (continued):

(b) Fuel tank obligation:

The Authority owns and operates a number of fuel tanks. The liability for the removal of fuel tanks has been recognized. The costs were based upon the presently known obligations that will exist at the financial reporting date.

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

Asset retirement obligation	Asbestos removal	Fuel tank removal	Balance at March 31, 2026
Opening balance	$ 93,028	$ 5,193	$ 98,221
Accretion expense	3,814	213	4,027
Closing balance	$ 96,842	$ 5,406	$ 102,248

The timing of the settlement of the underlying obligations is indeterminate and therefore the Authority will re-evaluate the carrying value of the asset retirement obligation on a periodic basis as circumstances require.

(c) Other:

The VGH site has a number of areas known to contain materials that will require remediation and/or disposal in accordance with legal requirements but are currently inaccessible. As the extent and timing of such remediation cannot be estimated at this time, no liability has been recorded. Any liability is not expected to be material and will be recorded at the time the amount is estimable.

12. Employee benefits:

(a) Retirement allowance:

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

The Authority’s liabilities are based on an actuarial valuation as at the 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. The next required valuation will be as of March 31, 2028.

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2026	2025
Accrued benefit obligation:		
Severance benefits	$ 114,477	$ 108,153
Sick leave benefits	75,198	69,277
	189,675	177,430
Unamortized actuarial loss	(14,082)	(17,080)
Accrued benefit liability	$ 175,593	$ 160,350

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	$ 160,350	$ 149,775
Net benefit expense:		
Current service cost	13,707	11,146
Interest expense	6,508	5,942
Amortization of actuarial loss	1,750	932
Net benefit expense	21,965	18,020
Benefits paid	(6,722)	(7,445)
Accrued benefit liability, end of year	$ 175,593	$ 160,350

(tabular amounts expressed in thousands of dollars)

12. 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 obligation as at March 31:				
Discount rate		3.73%		3.60%
Rate of compensation increase	2025-2028:	3.00% per year	2025+:	2.50%
	2029+:	2.50% per year		
Benefit costs for years ended March 31:				
Discount rate		3.60%		3.49%
Rate of compensation increase	2025+:	2.50%	2024:	3.00%
			2025+:	2.50%

(b) Healthcare Benefit Trust benefits:

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

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

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

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

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.

Over the course of the fiscal year, the Authority's Trust pool achieved a performance gain of $26.317M (note 18(d)).

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2026	2025
Fair value of plan assets	$ 298,240	$ 301,727
Accrued benefit obligation	(179,404)	(183,440)
Long-term disability and health and welfare benefits asset	$ 118,836	$ 118,287

	2026	2025
Long-term disability and health and welfare benefits asset, beginning of year	$ 118,287	$ 74,703
Net benefit expense:		
Long-term disability expense	(28,248)	(25,948)
Actuarial gain	16,970	19,210
Health and welfare benefit expense	(61,582)	(54,043)
Interest expense	(10,390)	(10,569)
Contributions adjustment	143	(208)
Ancillary business units	4,867	6,567
Expected return on assets	16,883	15,097
Transfer of health and welfare benefits net surplus	2,408	2,334
Net benefit expense	(58,949)	(47,560)
Contributions to the plan - VCH	59,498	91,144
Long-term disability and health and welfare benefits asset, end of year	$ 118,836	$ 118,287

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consists of:

	2026	2025
Debt securities	39%	37%
Foreign equities	36%	35%
Equity securities and other	25%	28%
Total	100%	100%

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

	2026		2025	
Accrued benefit asset as at March 31:				
Discount rate		5.60%		5.70%
Benefit Indexing	2026+:	2.25%	2025+:	2.25%
Benefit costs for years ended March 31:				
Discount rate		5.70%		5.80%
Rate of benefit increase	2025+:	2.25%	2024:	3.00%
			2025+:	2.25%
Expected future inflationary increases		2.00%		2.00%
Expected long-term rate of return on plan assets		5.60%		5.70%

Actual long-term rate of return on plan assets was 9.00% for the year ended December 31, 2025 (December 31, 2024 – 12.06%).

(ii) Joint benefit trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2026, the Authority made contributions to these joint benefit trusts totaling $78.7M (2025 - $75.1M).

(tabular amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(c) 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 $166.0 million (2025 - $156.3 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2024 indicated a funding surplus of approximately $2,675.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 273,000 active members, of which 26,676 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2027.

Employer contributions to the Public Service Pension Plan of $0.3 million (2025 - $0.4 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 $4,491.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 80,000 active members, of which 44 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2026, with results available in 2027.

13. 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	$ 2,241,616	$ 2,151,563
Capital contributions received:		
Ministry of Health	211,513	191,482
Foundations and auxiliaries	49,808	82,952
Regional hospital districts	2,276	812
Other	15,666	1,465
	279,263	276,711
	2,520,879	2,428,274
Amortization for the year	(199,604)	(186,658)
Deferred capital contributions, end of year	$ 2,321,275	$ 2,241,616

(tabular amounts expressed in thousands of dollars)

13. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2026	2025
Contributions used to purchase tangible capital assets	$ 2,036,969	$ 1,955,667
Unspent contributions	284,306	285,949
	$ 2,321,275	$ 2,241,616

14. Tangible capital assets:

Cost	2025	Additions	Disposals	Transfers	2026
Land	$ 74,071	$ 3,343	$ -	$ -	$ 77,414
Buildings	2,347,870	-	(2,667)	102,075	2,447,278
Equipment	765,868	61,546	(54,062)	865	774,217
Information systems	965,918	119	-	39,680	1,005,717
Leasehold improvements	103,558	60,657	(503)	-	163,712
Buildings under capital lease	111,805	-	-	-	111,805
Construction in progress	286,477	146,305	-	(102,075)	330,707
Equipment and information systems in progress	65,574	12,752	-	(39,680)	38,646
	$ 4,721,141	$ 284,722	$ (57,232)	$ 865	$ 4,949,496

Accumulated amortization	2025	Amortization	Disposals	Transfers	2026
Buildings	$ 1,242,107	$ 70,923	$ (2,667)	$ -	$ 1,310,363
Equipment	610,900	50,703	(54,062)	-	607,541
Information systems	474,136	73,280	-	-	547,416
Leasehold improvements	64,903	12,519	(503)	-	76,919
Buildings under capital lease	41,446	2,235	-	-	43,681
	$ 2,433,492	$ 209,660	$ (57,232)	$ -	$ 2,585,920

(tabular amounts expressed in thousands of dollars)

14. Tangible capital assets (continued):

Cost	2024	Additions	Disposals	Transfers	2025
Land	$ 70,311	$ 3,760	$ -	$ -	$ 74,071
Buildings	2,000,638	-	(2,614)	349,846	2,347,870
Equipment	801,903	82,267	(118,302)	-	765,868
Information systems	916,640	86	-	49,192	965,918
Leasehold improvements	92,063	12,986	(1,491)	-	103,558
Buildings under capital lease	111,805	-	-	-	111,805
Construction in progress	470,234	166,089	-	(349,846)	286,477
Equipment and information systems in progress	64,391	50,375	-	(49,192)	65,574
	$ 4,527,985	$ 315,563	$ (122,407)	$ -	$ 4,721,141

Accumulated amortization	2024	Amortization	Disposals	Transfers	2025
Buildings	$ 1,177,956	$ 66,765	$ (2,614)	$ -	$ 1,242,107
Equipment	682,816	46,386	(118,302)	-	610,900
Information systems	403,195	70,941	-	-	474,136
Leasehold improvements	57,633	8,761	(1,491)	-	64,903
Buildings under capital lease	39,211	2,235	-	-	41,446
	$ 2,360,811	$ 195,088	$ (122,407)	$ -	$ 2,433,492

Net book value	2026	2025
Land	$ 77,414	$ 74,071
Buildings	1,136,915	1,105,763
Equipment	166,676	154,968
Information systems	458,301	491,782
Leasehold improvements	86,793	38,655
Buildings under capital lease	68,124	70,359
Construction in progress	330,707	286,477
Equipment and information systems in progress	38,646	65,574
	$ 2,363,576	$ 2,287,649

(tabular amounts expressed in thousands of dollars)

14. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2026	2025
Deferred capital contributions	$ 2,036,969	$ 1,955,667
Debt	79,956	84,399
Internally funded	246,651	247,583
Tangible capital assets	$ 2,363,576	$ 2,287,649

15. Inventories held for use:

	2026	2025
Pharmaceuticals	$ 13,392	$ 13,120
Medical supplies	1,390	1,344
	$ 14,782	$ 14,464

16. Prepaid expenses:

	2026	2025
Contracted services	$ 26,990	$ 29,368
Maintenance contracts	9,860	8,758
Rent and operating costs	7,046	6,796
Nurses Membership Fees	4,123	3,566
Zoning application	-	990
Other	3,854	4,848
	$ 51,873	$ 54,326

17. Commitments and contingencies:

(a) Construction, equipment and information systems projects in process:

As at March 31, 2026, the Authority had outstanding commitments for construction, equipment and information systems in progress of $132.1 million (2025 - $119.1 million).

(tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

(b) Contractual obligations:

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

	2027	2028	2029	2030	2031	Thereafter	Total
Physicians compensation	$ 425,777	$ 413,256	$ 421,001	$ 433,631	$ 446,640	$ 460,039	$ 2,600,344
Laundry	24,884	-	-	-	-	-	24,884
Waste management	1,609	1,167	-	-	-	-	2,776
Patient transport	6,650	6,883	7,124	7,373	7,631	22,934	58,595
Inventory management	16,203	16,203	-	-	-	-	32,406
Software licenses/equipment rental/support services	96,815	46,048	27,058	730	636	1,248	172,535
	$ 571,938	$ 483,557	$ 455,183	$ 441,734	$ 454,907	$ 484,221	$ 2,891,540

Certain of the contractual commitments are in relation to services that are critical to the operations of the Authority. As these contracts approach their termination dates, they will be renewed or tendered in accordance with the Authority's procurement policies.

(c) Long term care contracts:

The Authority has entered into contracts with 36 service providers to provide long-term care services. The aggregate annual estimated commitment for these contracts is $475.3 million for 2026 (2025 – 36 service providers, $484.2 million).

(d) Operating leases:

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

2027	$ 58,435
2028	50,754
2029	43,952
2030	39,804
2031	28,853
Thereafter	91,682
	$ 313,480

(e) Public private partnerships:

The Authority entered into a multi-year P3 contract with the private sector partner AHV Access Health Vancouver Ltd. ("AHV"). Under the agreement, AHV designed, constructed, financed and will maintain the Gordon & Leslie Diamond Health Care Centre facilities until the end of the term of the agreement in August 2036. Payment guarantees have been provided by the Province for the payment obligations to AHV.

(tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

(e) Public private partnerships (continued):

The information presented below shows the anticipated cash outflow for future obligations under this contract for the capital cost and financing of the asset, the facility maintenance (FM), and the lifecycle costs. FM and lifecycle payments to AHV are contingent on specified performance criteria and include an estimation of inflation. Required principal repayments on P3 debt are disclosed below as capital commitments:

	Capital	Financing	FM and lifecycle	Total payments
2027	$ 4,908	$ 4,088	$ 6,288	$ 15,284
2028	5,403	3,818	5,107	14,328
2029	5,930	3,522	4,165	13,617
2030	6,492	3,196	5,169	14,857
2031	7,091	2,841	7,480	17,412
Thereafter	50,132	7,713	31,486	89,331
	$ 79,956	$ 25,178	59,695	$ 164,829

(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 material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and any unfunded risk is provided for based on management's best estimate of the ultimate settlement.

(g) Guarantees:

The Authority provided a guarantee to the City of Vancouver in respect of the Providence Health Care Society's obligation to construct two Childcare Facilities on the new St. Paul's Hospital and Health Campus, pursuant to the Childcare Facilities Construction and Use Agreement between the Providence Health Care Society and the City of Vancouver dated January 4, 2021. The estimated cost of constructing the two Childcare Facilities is $25.3 million.

The Authority further provided a guarantee to the City of Vancouver dated November 3, 2022 in respect of the stated above up to the amount of $40.0M for completion, post-completion maintenance and all associated costs within the timelines set out.

There are no expectations that VCH will have to pay out amounts under the guarantee.

(tabular amounts expressed in thousands of dollars)

18. Statement of operations:

(a) Other contributions:

	2026	2025
Provincial Health Services Authority ("PHSA")	$ 187,462	$ 173,363
BC government reporting entities	16,295	15,659
Other	35,882	28,440
	$ 239,639	$ 217,462

(b) Patients, clients and residents revenue:

	2026	2025
Non-residents of Canada	$ 56,802	$ 65,505
Long-term and extended care	52,395	49,058
Non-residents of BC	45,931	44,927
WorkSafe BC	28,275	26,631
Residents of BC self pay	16,026	12,621
Uninsured residents	5,834	3,193
Preferred accommodation	1,340	1,699
Other	2,103	2,997
	$ 208,706	$ 206,631

(c) Other revenue:

	2026	2025
Recoveries from sales of goods and services	$ 42,138	$ 44,571
Compensation recoveries	22,664	19,397
Food services	8,559	8,590
Parking	5,074	5,110
Other	10,488	11,086
	$ 88,923	$ 88,754

(tabular amounts expressed in thousands of dollars)

18. Statement of operations (continued):

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

	2026	2025
Employee related:		
Compensation	$ 2,816,269	2,618,006
Employee benefits	577,265	548,897
(Gain) on event driven employee benefits	(26,317)	(25,416)
	3,367,217	3,141,487
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (notes 20(a), 20(c))	1,999,099	2,104,621
Health and support services providers	958,298	876,008
	2,957,397	2,980,629
Supplies:		
Medical and surgical	191,156	175,201
Drugs and medical gases	109,055	99,734
Diagnostic	38,460	36,154
Food and dietary	28,544	29,243
Housekeeping	8,356	8,467
Laundry and linen	6,108	5,643
Printing, stationery and office	5,563	5,873
Other	32,952	33,560
	420,194	393,875
Amortization of tangible capital assets (note 14)	209,660	195,088
Equipment and building services:		
Equipment	105,707	107,089
Building and grounds service contracts	44,607	45,462
Rent	42,458	41,928
Plant operations (utilities)	24,002	26,009
Other	15,432	14,543
	232,206	235,031
Sundry:		
Professional fees	39,920	46,731
Bad debt expense	20,075	28,891
Travel	15,522	14,931
Communication and data processing	12,831	14,221
Patient transport	11,103	10,165
Other	35,615	33,813
	135,066	148,752
Research	26,625	22,726
Interest on debt and capital leases	4,337	4,559
	$ 7,352,702	$ 7,122,147

(tabular amounts expressed in thousands of dollars)

19. Supplementary cash flow information:

Net change in non-cash operating items:

	2026	2025
Accounts receivable	$ (64,884)	$ (15,398)
Loans receivable	4,799	-
Accounts payable and accrued liabilities	148,125	43,028
Deferred operating revenue	3,059	(39)
Deferred research and designated revenue	2,966	(253)
Replacement reserves	(716)	96
Inventories held for sale	92	(19)
Inventories held for use	(318)	(338)
Prepaid expenses	2,453	(15,343)
	$ 95,576	$ 11,734

20. Related parties and other agencies:

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. The following are identified related parties:

(a) BC government reporting entities:

The Authority is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these organizations, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Referred out and contracted services expenses as outlined in note 18(d) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair market value.

The health authorities provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the 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 market value.

20. Related parties and other agencies (continued):

(b) Foundations, regional hospital districts and auxiliaries:

There are 18 separate health care foundations, regional hospital districts, and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations within the Authority area. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations granted $110.8 million (2025 - $107.2 million) to the Authority.

(c) Affiliated organization:

The contributions from the Ministry on behalf of PHC is $1,392.7 million (2025 - $1,528.5 million) and funds transferred to PHC are recorded as expenses, $1,586.6 million (2025 - $1,705.0 million). The decreases in contributions and expenses in fiscal year 2025-2026 are related to the development of the new St. Paul's Hospital. The financial statements of the affiliate, PHC, are not consolidated with the Authority. The annual surplus and accumulated (deficit) of PHC is $2.8 million (2025 - $1.1 million), and $(92.5) million (2025 - $(94.6) million), respectively.

VCH will not assume responsibility for any past or current accumulated deficits or for any operating or working capital deficit incurred in PHC's ongoing operations.

(d) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team to be key management personnel based on the PS 2200 definition. A declaration is completed by the key management personnel annually to confirm whether there are any related party transactions. There are no related party transactions to disclose.

21. Risk management:

The Authority is exposed to credit risk, liquidity risk, interest 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, portfolio investments, accounts receivable, and loan receivable. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

21. Risk management (continued):

(a) Credit risk (continued):

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The Authority has entered into an offset banking agreement with the Province under the Central Deposit Program in February 2014. The Central Deposit Program provides interest compensation and account administration to the Authority on the excess cash balances that the Authority contributed and held with the Province under the program. The Authority has $110.1 million (2025 - $355.9 million) held in the Central Deposit Program under the BC government. Funds can be requested and received within three business days.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2026, the amount of allowance for doubtful accounts was $124.9 million (2025 - $118.5 million).

The Authority is not exposed to significant credit risk with respect to the portfolio investments, and amounts receivable from the Ministry, other health authorities and senior government reporting entities or foundations and auxiliaries. The portfolio investments are low risk and immaterial.

(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 and cash equivalents 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.

(tabular amounts expressed in thousands of dollars)

21. Risk management (continued):

(b) Liquidity risk (continued):

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	$ 751,923	$ -	$ -	$ 751,923
Portfolio investments	3,494	-	-	3,494
Accounts receivable	387,968	-	-	387,968
Loan receivable	943	1,417	-	2,360
Long-term disability and health and welfare benefits	-	-	118,836	118,836
Financial assets	$ 1,144,328	$ 1,417	$ 118,836	$ 1,264,581

2026 Financial Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 850,913	$ -	$ -	$ 850,913
Debt	4,908	24,916	50,132	79,956
Asset retirement obligations	-	-	102,248	102,248
Retirement allowance	7,084	28,335	140,174	175,593
Financial liabilities	$ 862,905	$ 53,251	$ 292,554	$ 1,208,710

2025 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 635,338	$ -	$ -	$ 635,338
Portfolio investments	3,268	-	-	3,268
Accounts receivable	323,084	-	-	323,084
Loan receivable	446	1,959	5,200	7,605
Long-term disability and health and welfare benefits	-	-	118,287	118,287
Financial assets	$ 962,136	$ 1,959	$ 123,487	$ 1,087,582

2025 Financial Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 702,788	$ -	$ -	$ 702,788
Debt	4,444	22,733	57,222	84,399
Asset retirement obligations	-	-	98,221	98,221
Retirement allowance	7,084	28,335	124,931	160,350
Financial liabilities	$ 714,316	$ 51,068	$ 280,374	$ 1,045,758

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

21. Risk management (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair values or future cash flows associated with interest-bearing instruments may change as a result in changes in market rates of interest. Fixed-rate instruments give rise to fair value risk, while variable rate instruments give rise to cash flow risk. The Authority is subject to interest rate risk in relation to its interest-bearing financial instruments, including fixed-income portfolio investments, loan receivable and the debt, the nature of which is described in note 10.

(d) Foreign currency 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 fluctuations. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

The Authority makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar. US dollar balances at March 31, 2026 are not material.

The Authority is subjected to indirect foreign exchange risk, potential tariff impacts, and uncertainties arising from contracts that the Authority's service provider, PHSA has entered into.

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.

(e) Future service capacity risk:

VCH's ability to provide service to our patients, clients, and residents is contingent upon the condition of our facilities, equipment, and information systems. While VCH works to maintain facilities, equipment, and information systems in good repair, there are several older facilities that are part of everyday health care operations which are fully depreciated with no remaining book value. While the risk of facility, equipment or information system failure is small, the potential impact of a failure of facilities, equipment or information systems could be significant and result in temporary service delivery delays.

(f) Dependency risk:

The Authority relies on a number of service providers to deliver services to its patients, clients and residents. The Authority does not have direct information on the financial condition of the service providers nor their ability to continue delivering the contracted services for the duration of the service delivery contracts. There is a risk that certain of these service providers may not be able to fulfil their obligations under the contracts. As such, the Authority is at risk of services not being provided and/or having to incur additional costs to ensure the services are delivered.

22. Potential Tariff Impact and Uncertainty:

As of the reporting date, the Authority is actively monitoring the potential impact of tariffs and trade restrictions that may arise from ongoing global trade negotiations. These factors could result in increased costs for medical and surgical supplies, drugs and medical gases, equipment and other supplies, as well as changes in supply chain operations. The Authority is exposed to the risk of potential tariffs on products imported from other countries. While the Authority has undertaken efforts to manage these risks, including sourcing alternatives, there remains uncertainty regarding the full extent of future tariff changes and their impact on financial position and results in operations. The Authority cannot currently estimate the precise financial effect of these potential tariff changes due to the lack of clarity regarding the timing, scope, and finality of any new tariffs or trade restrictions.

23. Subsequent event:

Arbutus Care Centre

On May 11, 2026, the Authority has signed a letter of intent with Revera Inc., 2599089 Ontario Limited, and Revera Long-Term Care Inc. to purchase Arbutus Care Centre located at 4505 Valley Drive, Vancouver, British Columbia.

24. Comparative figures:

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