

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2022

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2022 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 23, 2022



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver BC V6E 3P3 Canada

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 financial statements of Vancouver Coastal Health Authority (the "Authority"), which comprise the Statement of Financial Position as at March 31, 2022, and the Statements of Operations and Accumulated Surplus, Changes in Net Debt and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Authority as at and for the year ended March 31, 2022 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 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 financial statements which describes the basis of accounting. The 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 of the financial statements in accordance with the Act, 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 these 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Authority 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 29, 2022

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents (note 2)	\$ 744,092	\$ 586,060
Portfolio investments (note 3)	2,408	-
Accounts receivable (note 4)	168,207	242,694
Loan receivable (note 5)	4,050	4,530
Pearson receivable (note 6)	101,847	114,147
Long-term disability and health and welfare benefits (note 12(b)(i))	57,548	26,485
Inventories held for sale	52	48
	<u>1,078,204</u>	<u>973,964</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	530,500	489,271
Deferred operating revenue (note 8)	5,031	3,399
Deferred research and designated revenue (note 9)	20,191	19,929
Obligation under capital lease (note 10)	95,225	98,084
Debt (note 11)	-	427
Retirement allowance (note 12(a))	144,513	141,308
Replacement reserves (note 13)	1,346	798
Deferred capital contributions (note 14)	1,810,160	1,627,586
	<u>2,606,966</u>	<u>2,380,802</u>
Net debt	<u>(1,528,762)</u>	<u>(1,406,838)</u>
Non-financial assets		
Tangible capital assets (note 15)	1,696,490	1,558,080
Inventories held for use (note 16)	12,162	13,919
Prepaid expenses (note 17)	30,398	29,455
	<u>1,739,050</u>	<u>1,601,454</u>
Accumulated surplus	<u>\$ 210,288</u>	<u>\$ 194,616</u>

Commitments and contingencies (note 18)

Significant event (note 27)

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

Approved on behalf of the Board:



Director

Dr. Penny Ballem, Board Chair



Director

Allan Baydala, Chair Audit & Finance Committee

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2022

	2022 Budget (note 1(o))	2022	2021
Revenues:			
Ministry of Health contributions	\$ 3,411,198	\$ 3,859,579	\$ 3,701,807
Medical Services Plan	316,934	333,052	300,258
Recoveries from other health authorities and BC government reporting entities	186,701	202,088	187,406
Other contributions (note 19(a))	176,552	186,333	178,326
Patients, clients and residents (note 19(b))	132,967	118,484	100,192
Amortization of deferred capital contributions (note 14)	104,713	101,488	93,408
Other (note 19(c))	28,861	38,727	35,385
Research and designated revenue (note 9)	20,000	16,529	15,676
PharmaCare	6,216	6,268	5,626
Investment income	1,160	2,352	1,828
	<u>4,385,302</u>	<u>4,864,900</u>	<u>4,619,912</u>
Expenses (note 19(d)):			
Acute	2,467,817	2,669,519	2,642,021
Long term care	600,523	704,286	679,045
Community care	390,861	422,307	380,478
Mental health and substance use	392,845	422,117	372,388
Corporate	412,695	413,482	374,027
Population health and wellness	120,561	217,517	148,318
	<u>4,385,302</u>	<u>4,849,228</u>	<u>4,596,277</u>
Annual surplus	\$ -	\$ 15,672	\$ 23,635
Accumulated surplus, beginning of year	194,616	194,616	170,981
Accumulated surplus, end of year	<u>\$ 194,616</u>	<u>\$ 210,288</u>	<u>\$ 194,616</u>

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

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Changes in Net Debt

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

	2022 Budget (note 1(o))	2022	2021
Annual surplus	\$ -	\$ 15,672	\$ 23,635
Acquisition of tangible capital assets	(301,862)	(246,762)	(187,933)
Amortization of tangible capital assets	111,371	108,352	97,625
	(190,491)	(122,738)	(66,673)
Acquisition of inventories held for use	-	(78,833)	(71,333)
Acquisition of prepaid expenses	-	(85,364)	(115,533)
Consumption of inventories held for use	-	80,590	70,460
Use of prepaid expenses	-	84,421	159,919
	-	814	43,513
Increase in net debt	(190,491)	(121,924)	(23,160)
Net debt, beginning of year	(1,406,838)	(1,406,838)	(1,383,678)
Net debt, end of year	\$ (1,597,329)	\$ (1,528,762)	\$ (1,406,838)

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

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

	2022	2021
Cash flows from operating transactions:		
Annual surplus	\$ 15,672	\$ 23,635
Items not involving cash:		
Amortization of deferred capital contributions	(101,488)	(93,408)
Amortization of tangible capital assets	108,352	97,625
Retirement allowance expense	14,107	12,144
Long term disability, health and welfare benefits expense	37,545	40,507
Interest expense	5,094	7,474
Investment income	(2,352)	(1,828)
	76,930	86,149
Net change in non-cash operating items (note 20(a))	116,268	57,806
Interest paid	(5,094)	(7,474)
Interest received	2,352	1,828
Retirement allowance contributions	(10,902)	(9,152)
Long term disability, health and welfare benefits contributions	(68,608)	(63,723)
Net change in cash from operating transactions	110,946	65,434
Capital transactions:		
Acquisition of tangible capital assets (note 20(b))	(246,762)	(187,933)
Net change in cash from capital transactions	(246,762)	(187,933)
Investing transactions:		
Repayment of demand loan receivable	-	38,500
Proceeds from Pearson receivable	15,000	-
Proceeds from loan receivable	480	81
Acquisition of portfolio investments	(2,408)	-
Net change in cash from investing transactions	13,072	38,581
Financing transactions:		
Payment of obligation under capital lease	(2,859)	(2,525)
Repayment of debt	(427)	(237)
Capital contributions received	284,062	242,468
Net change in cash from financing transactions	280,776	239,706
Increase in cash and cash equivalents	158,032	155,788
Cash and cash equivalents, beginning of year	586,060	430,272
Cash and cash equivalents, end of year	\$ 744,092	\$ 586,060

Supplementary cash flow information (note 20)

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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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 (see note 21(b)).

(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 21(c) of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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) Portfolio investments:

On March 30, 2022, the Ministry of Health approved the transfer of operations and assets from Little Mountain Residential Care and Housing Society (“the Society”) to the Authority (see note 25). Included in the transfer are the portfolio investments held by the Society valued at January 31, 2022 (see note 3).

(f) 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.

(g) Assets available for sale:

Assets available for sale are those expected to be sold within one year. They are valued at the lower of cost, less accumulated amortization, or expected net realizable value. Cost includes amounts to prepare the assets for sale.

(h) 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 (2021 - 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

1. Significant accounting policies (continued):

(h) Employee benefits (continued):

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

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.

(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.

(i) Contaminated sites:

Liabilities for contaminated sites are recorded when contamination of a site or part of a site not in productive use exceeds an accepted environmental standard and the Authority is directly responsible, or accepts responsibility for the damage. Liabilities are measured at the Authority's best estimate of the costs directly attributable to remediation of the contamination.

(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	lease term

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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. Note 10 provides a schedule of repayments and amount of interest on the leases.

(iii) Inventories held for use:

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

(iv) 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

1. Significant accounting policies (continued):

(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.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services performed.

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.

(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, accounts receivables, other 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

1. Significant accounting policies (continued):

(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, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. 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.

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 2021/2022 Budget approved by the Board of Directors on September 23, 2021 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and the statement of changes in net debt.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

1. Significant accounting policies (continued):

(p) Future accounting standards:

(i) In August 2018, PSAB issued PS 3280, Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are as follows:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset;
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner;
- Asset retirement costs associated with an asset no longer in productive use are expensed;
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use;
- Asset retirement obligations include post-retirement operation, maintenance and monitoring;

The main features of PS 3280 are as follows:

- A present value technique is often the best method with which to estimate the liability.

PS 3280 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS 3280 on the financial statements of the Authority.

(ii) In June 2018, PSAB issued PS 3400, Revenue. PS 3400 proposes a framework describing two categories of revenue – transactions with performance obligations and transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of PS 3400 on the financial statements of the Authority.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

2. Cash and cash equivalents:

	2022	2021
Provincial Treasury Central Deposit program (note 22(a))	\$ 386,113	\$ 322,527
Cash and cash equivalents	357,979	263,533
	744,092	586,060
Amounts externally restricted for capital purposes	(337,481)	(241,980)
Amounts externally restricted for research and designated purposes	(21,318)	(20,738)
Amounts externally restricted for replacement reserves	(1,346)	(798)
Amounts externally restricted for patient comfort funds	(957)	(950)
Unrestricted cash and cash equivalents	\$ 382,990	\$ 321,594

3. Portfolio investments:

	2022	2021
Fixed income	\$ 1,652	\$ -
Canadian equity	395	-
U.S. equity	203	-
Foreign equity	158	-
Total portfolio investments at fair value (note 1(e))	\$ 2,408	\$ -

4. Accounts receivable:

	2022	2021
Other health authorities and BC government reporting entities	\$ 63,227	\$ 65,544
Patients, clients and residents	61,819	54,218
Ministry of Health	58,721	120,981
Foundations and auxiliaries	21,065	24,638
Medical Services Plan	5,975	6,750
Federal government	3,507	5,130
WorkSafeBC	1,478	1,801
Other	17,725	19,827
	233,517	298,889
Allowance for doubtful accounts	(65,310)	(56,195)
	\$ 168,207	\$ 242,694

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

5. Loan receivable:

The loan consists of funds advanced for the repayment of a debt related to the Vancouver General Hospital (“VGH”) Parkade. The debt was repaid on behalf of 578583 BC Ltd., a corporation which is the trustee of the VGH Parkade Trust (the “Trust”) and is wholly owned by the VGH and UBC Hospital Foundation. During the fiscal year ended March 31, 2020 a second Deed of Variation was signed which extends the trust agreement to March 29, 2031. The Trust was created by agreement between the Authority and 578583 BC Ltd. In its capacity as the trustee of the Trust, 578583 BC Ltd. holds beneficial ownership in the VGH Parkade and earns the associated revenue.

A new amendment to the loan agreement was also signed during the fiscal year ended March 31, 2020 which extends the loan maturity date to December 31, 2030. The loan receivable from 578583 BC Ltd. earns interest at a fixed rate of 3.70%.

In September 2019, the VGH Gift Shop was transferred from the Trust to the Authority.

6. Pearson receivable:

On January 31, 2015, VCH entered into an agreement with the Onni Group to sell the lands at the Pearson Dogwood site for \$302.0 million for development.

The Pearson receivable represents cash due to the Authority related to the proceeds due from Onni Pearson Dogwood Development Limited Partnership on the sale of the Pearson lands. The remaining balance of \$104.5 million is due to be received over a period of 2 years, as follows: \$30.0 million to be received October 2022 and the final payment of \$74.5 million to be received October 2023. The receivable has been discounted to net present value of \$101.8 million (2021 - \$114.1 million) using the BC Provincial Loan Concessionary Rate of 2.61%.

On May 6, 2020, an amended agreement was signed between Onni Pearson Dogwood Development Limited Partnership and the Authority revising the timing of the remaining payments due to be received. The amended agreement also included a lease extension to the existing Dogwood Lodge.

The deferred payments by the Onni Group are secured with a mortgage in favour of the Authority. There is also a security agreement that charges the personal property of the Onni Group relating to the Dogwood and Pearson lands, buildings and the redevelopment work.

7. Accounts payable and accrued liabilities:

	2022	2021
Trade accounts payable and accrued liabilities	\$ 280,652	\$ 260,235
Salaries and benefits payable	153,871	135,158
Accrued vacation pay	95,977	93,878
	<u>\$ 530,500</u>	<u>\$ 489,271</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

8. Deferred operating revenue:

Deferred operating revenue represent externally restricted operating funding received for specific purposes, including grants from provincial ministries for various programs (including mental health, youth services, speech pathology and special needs). Other funds received are used for Planetary Health projects towards carbon neutral targets and to further the well-being of the Authority's employees. 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.

	2022	2021
Deferred operating revenue, beginning of year	\$ 3,399	\$ 3,198
Amounts received during the year	3,948	1,988
Amounts recognized as revenue in the year	(2,316)	(1,787)
Deferred operating revenue, end of year	\$ 5,031	\$ 3,399

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. 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.

	2022	2021
Deferred research and designated contributions, beginning of year	\$ 19,929	\$ 16,835
Amounts received during the year	16,791	18,770
Amounts recognized as revenue in the year	(16,529)	(15,676)
Deferred research and designated contributions, end of year	\$ 20,191	\$ 19,929

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

10. Obligation under capital lease:

	2022	2021
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	\$ 95,225	\$ 98,084
	\$ 95,225	\$ 98,084

Future minimum lease payments for the years ending March 31 are as follows:

2023	8,149
2024	8,353
2025	8,562
2026	8,776
2027	8,996
Thereafter	96,138
Total minimum lease payments	138,974
Amounts representing interest	(43,749)
	\$ 95,225

11. Debt:

	2022	2021
Canada Mortgage and Housing Corporation ("CMHC") loan ⁽¹⁾	\$ -	\$ 427
	\$ -	\$ 427

⁽¹⁾ Lions Park Senior Citizens Housing transferred to Provincial Rental Housing Corporation on September 1, 2021.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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, 2021 and extrapolated to March 31, 2022 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2022 are derived. The next required valuation will be as of December 31, 2024.

Information about retirement allowance benefits is as follows:

	2022	2021
Accrued benefit obligation:		
Severance benefits	\$ 93,031	\$ 82,764
Sick leave benefits	64,430	59,666
	157,461	142,430
Unamortized actuarial loss	(12,948)	(1,122)
Accrued benefit liability	\$ 144,513	\$ 141,308

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

12. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2022	2021
Accrued benefit liability, beginning of year	\$ 141,308	\$ 138,316
Net benefit expense:		
Current service cost	10,558	8,659
Interest expense	4,601	5,075
Amortization of actuarial gain	(1,052)	(1,590)
Net benefit expense	14,107	12,144
Benefits paid	(10,902)	(9,152)
Accrued benefit liability, end of year	\$ 144,513	\$ 141,308

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

	2022	2021
Accrued benefit obligation as at March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.14%	3.79%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

12. Employee benefits (continued):

(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 Authority's assets as of March 31, 2022 are based on the actuarial valuation at December 31, 2021, extrapolated to March 31, 2022. The next expected valuation will be as of December 31, 2022.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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:

	2022	2021
Fair value of plan assets	\$ 237,868	\$ 209,576
Accrued benefit obligation	(180,320)	(183,091)
Long-term disability and health and welfare benefits asset	\$ 57,548	\$ 26,485
	2022	2021
Long-term disability and health and welfare benefits asset, beginning of year	\$ 26,485	\$ 3,269
Net benefit expense:		
Long-term disability expense	(23,359)	(20,352)
Actuarial gain	9,769	10,274
Health and welfare benefit expense	(35,196)	(35,772)
Interest expense	(9,566)	(9,968)
Contributions adjustment	570	586
Ancillary business units expense	4,263	3,910
Expected return on assets	11,151	10,364
Transfer of health and welfare benefits net surplus	4,823	451
Net benefit expense	(37,545)	(40,507)
Contributions to the plan - VCH	68,608	63,723
Long-term disability and health and welfare benefits asset, end of year	\$ 57,548	\$ 26,485
Benefits paid to claimants	\$ (65,442)	\$ (53,854)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2022	2021
Debt securities	42%	39%
Foreign equities	36%	35%
Equity securities and other	22%	26%
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:

	2022	2021
Accrued benefit asset as at March 31:		
Discount rate	5.10%	5.30%
Rate of benefit increase	2.00%	2.00%
Benefit costs for years ended March 31:		
Discount rate	5.10%	5.30%
Rate of benefit increase	2.00%	2.00%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.10%	5.30%

Actual long-term rate of return on plan assets was 8.83% for the year ended December 31, 2021 (December 31, 2020 – 9.17%).

(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, 2022, the Authority made contributions to these joint benefit trusts totalling \$51.7M (2021 - \$46.7M).

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

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 \$117.2 million (2021 - \$112.5 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, 2018 indicated a funding surplus of approximately \$2,866.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 220,000 active members, of which 22,320 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2021, with results available in 2022.

Employer contributions to the Public Service Pension Plan of \$0.4 million (2021 - \$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, 2020, indicated a surplus of approximately \$2,667.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 68,000 active members, of which 58 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2023.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

13. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation (“CMHC”) and BC Housing Management Commission (“BC Housing”), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC or BC Housing, respectively. The Authority complies with these provisions.

The change in the replacement reserves is calculated as follows:

	2022	2021
Replacement reserves, beginning of year	\$ 798	\$ 836
Provision for replacement reserve funding	548	41
Interest on replacement reserves	-	2
Eligible Expenditures	-	(81)
Replacement reserves, end of year	\$ 1,346	\$ 798

The replacement reserves by facility are as follows:

	2022	2021
Little Mountain Residential Care and Housing Society ⁽¹⁾	\$ 833	\$ -
Shorncliffe Intermediate Care ⁽²⁾	216	216
Kiwanis Intermediate Care ⁽²⁾	172	172
Cedarview Lodge ⁽²⁾	92	92
Hilltop House ⁽²⁾	33	33
Lions Park Senior Citizens Housing ⁽³⁾	-	285
	\$ 1,346	\$ 798

⁽¹⁾ Little Mountain Residential Care and Housing Society transferred to VCH in March 2022.

⁽²⁾ Kiwanis Intermediate Care, Cedarview Lodge, Shorncliffe Intermediate Care, and Hilltop House mortgages were paid in full. The Authority is no longer required to increase the reserves, and the balance remaining will be used for future maintenance.

⁽³⁾ Lions Park Senior Citizens Housing transferred to Provincial Rental Housing Corporation on September 1, 2021.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

14. Deferred capital contributions:

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

	2022	2021
Deferred capital contributions, beginning of year	\$ 1,627,586	\$ 1,478,526
Capital contributions received:		
Ministry of Health	217,706	210,886
Foundations and auxiliaries	34,565	26,539
Federal	7,915	-
Regional hospital districts	1,880	1,204
Other	21,996	3,839
	<u>284,062</u>	<u>242,468</u>
	1,911,648	1,720,994
Amortization for the year	<u>(101,488)</u>	<u>(93,408)</u>
Deferred capital contributions, end of year	\$ 1,810,160	\$ 1,627,586

Deferred capital contributions are comprised of the following:

	2022	2021
Contributions used to purchase tangible capital assets	\$ 1,472,679	\$ 1,385,606
Unspent contributions	<u>337,481</u>	<u>241,980</u>
	\$ 1,810,160	\$ 1,627,586

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

15. Tangible capital assets:

Cost	2021	Additions	Disposals	Transfers	2022
Land	\$ 17,656	\$ -	\$ -	\$ -	\$ 17,656
Buildings	1,611,215	13,159	(4,540)	128,123	1,747,957
Equipment	764,388	47,402	(15,086)	150	796,854
Information systems	303,426	-	-	18,618	322,044
Leasehold improvements	62,540	3,060	(169)	-	65,431
Buildings under capital lease	111,955	-	-	(150)	111,805
Construction in progress	195,352	118,721	-	(128,123)	185,950
Equipment and information systems in progress	-	-	-	-	-
	441,660	64,420	-	(18,618)	487,462
	\$ 3,508,192	\$ 246,762	\$ (19,795)	\$ -	\$ 3,735,159

Accumulated amortization	2021	Amortization	Disposals	Transfers	2022
Buildings	\$ 928,028	\$ 54,986	\$ (4,540)	\$ -	\$ 978,474
Equipment	668,101	31,391	(15,086)	150	684,556
Information systems	282,590	15,179	-	-	297,769
Leasehold improvements	38,737	4,561	(169)	-	43,129
Buildings under capital lease	32,656	2,235	-	(150)	34,741
	\$ 1,950,112	\$ 108,352	\$ (19,795)	\$ -	\$ 2,038,669

Cost	2020	Additions	Disposals	Transfers	2021
Land	\$ 17,656	\$ -	\$ -	\$ -	\$ 17,656
Buildings	1,543,434	-	-	67,781	1,611,215
Equipment	740,928	32,314	(8,854)	-	764,388
Information systems	348,897	-	(55,129)	9,658	303,426
Leasehold improvements	54,901	7,639	-	-	62,540
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	178,446	84,687	-	(67,781)	195,352
Equipment and information systems in progress	-	-	-	-	-
	388,025	63,293	-	(9,658)	441,660
	\$ 3,384,242	\$ 187,933	\$ (63,983)	\$ -	\$ 3,508,192

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

15. Tangible capital assets (continued):

Accumulated amortization	2020	Amortization	Disposals	Transfers	2021
Buildings	\$ 879,022	\$ 49,006	\$ -	\$ -	\$ 928,028
Equipment	647,860	29,095	(8,854)	-	668,101
Information systems	325,782	11,937	(55,129)	-	282,590
Leasehold improvements	33,385	5,352	-	-	38,737
Buildings under capital lease	30,421	2,235	-	-	32,656
	\$ 1,916,470	\$ 97,625	\$ (63,983)	\$ -	\$ 1,950,112

Net book value	2022	2021
Land	\$ 17,656	\$ 17,656
Buildings	769,483	683,187
Equipment	112,298	96,287
Information systems	24,275	20,836
Leasehold improvements	22,302	23,803
Buildings under capital lease	77,064	79,299
Construction in progress	185,950	195,352
Equipment and information systems in progress	487,462	441,660
	\$ 1,696,490	\$ 1,558,080

Contributed tangible capital assets total \$0.078 million (2021 - \$0.273 million).

Tangible capital assets are funded as follows:

	2022	2021
Deferred capital contributions	\$ 1,472,679	\$ 1,385,606
Debt and capital leases	95,225	98,512
Internally funded	128,586	73,962
Tangible capital assets	\$ 1,696,490	\$ 1,558,080

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

16. Inventories held for use:

	2022	2021
Pharmaceuticals	\$ 10,882	\$ 11,421
Medical supplies	1,280	1,318
Personal Protective Equipment	-	1,180
	\$ 12,162	\$ 13,919

17. Prepaid expenses:

	2022	2021
Contracted services	\$ 17,096	\$ 15,798
Maintenance contracts	6,052	6,228
Rent and operating costs	3,546	3,255
Other	3,704	4,174
	\$ 30,398	\$ 29,455

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

18. Commitments and contingencies:

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

As at March 31, 2022, the Authority had outstanding commitments for construction, equipment and information systems in progress of \$216.1 million (2021 - \$41.7 million.)

- (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:

	Contract Term	2023	2024	2025	2026	2027	Thereafter	Total
Laundry	2015 - 2027	\$ 17,598	\$ 18,037	\$ 18,489	\$ 16,983	\$ 14,164	-	\$ 85,271
Housekeeping	2015 - 2023	32,179	-	-	-	-	-	32,179
Access Health Vancouver	2015 - 2037	1,041	1,119	1,067	1,104	1,162	14,391	19,884
Waste management	2015 - 2026	2,311	2,221	1,994	1,100	-	-	7,626
Patient food services	2022 - 2024	38,777	6,643	-	-	-	-	45,420
		\$ 91,906	\$ 28,020	\$ 21,550	\$ 19,187	\$ 15,326	\$ 14,391	\$ 190,380

- (c) Long term care contracts:

The Authority has entered into contracts with 34 service providers to provide long-term care services. The aggregate annual estimated commitment for these contracts is \$389.1 million for 2022 (2021 – 32 service providers, \$408.2 million).

- (d) Operating leases:

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

2023	\$ 47,960
2024	45,380
2025	43,287
2026	38,429
2027	31,384
Thereafter	159,577
	<u>\$ 366,017</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

18. Commitments and contingencies (continued):

(e) Litigation and claims:

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

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2022, 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.

(f) 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.

19. Statement of operations:

(a) Other contributions:

	2022	2021
Provincial Health Services Authority	\$ 157,676	\$ 150,615
BC government reporting entities	14,470	14,707
Other	14,187	13,004
	<u>\$ 186,333</u>	<u>\$ 178,326</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

19. Statement of operations (continued):

(b) Patients, clients and residents revenue:

	2022	2021
Long-term and extended care	\$ 37,641	\$ 36,278
Non-residents of BC	27,213	21,708
Non-residents of Canada	21,927	18,301
WorkSafe BC	13,351	10,646
Residents of BC self pay	11,400	8,008
Uninsured residents	2,790	1,561
Preferred accommodation	2,536	2,137
Other	1,626	1,553
	<u>\$ 118,484</u>	<u>\$ 100,192</u>

(c) Other revenue:

	2022	2021
Recoveries from compensation	\$ 16,811	\$ 12,135
Recoveries from sales of goods and services	7,373	8,578
Parking	272	229
Other	14,271	14,443
	<u>\$ 38,727</u>	<u>\$ 35,385</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

19. Statement of operations (continued):

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

	2022	2021
Employee related:		
Compensation	\$ 1,832,121	1,677,114
Employee benefits	380,966	351,263
(Gain)/Loss on event driven employee benefits	(15,108)	(13,351)
	<u>2,197,979</u>	<u>2,015,026</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 21(a))	1,170,606	1,132,637
Health and support services providers	787,182	755,690
	<u>1,957,788</u>	<u>1,888,327</u>
Supplies:		
Medical and surgical	141,590	124,849
Drugs and medical gases	80,419	73,565
Diagnostic	31,373	28,855
Laundry and linen	9,685	31,385
Printing, stationery and office	4,223	4,330
Housekeeping	3,998	5,581
Food and dietary	2,837	2,653
Other	25,308	54,750
	<u>299,433</u>	<u>325,968</u>
Amortization of tangible capital assets	108,352	97,625
Equipment and building services:		
Equipment	72,738	84,189
Building and grounds service contracts	36,033	29,900
Rent	29,114	25,516
Plant operations (utilities)	23,591	20,866
Other	8,847	8,562
	<u>170,323</u>	<u>169,033</u>
Sundry:		
Professional fees	29,228	26,378
Communication and data processing	11,856	11,377
Travel	9,623	7,278
Patient transport	6,846	5,673
Other	36,177	26,442
	<u>93,730</u>	<u>77,148</u>
Research	16,529	15,676
Interest on debt and capital leases	5,094	7,474
	<u>\$ 4,849,228</u>	<u>\$ 4,596,277</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

20. Supplementary cash flow information:

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

	2022	2021
Accounts receivable	\$ 74,487	\$ (111,235)
Pearson receivable	(2,700)	(691)
Accounts payable and accrued liabilities	41,229	122,980
Deferred operating revenue	1,632	201
Deferred research and designated revenue	262	3,094
Replacement reserves	548	(38)
Inventories held for sale	(4)	(18)
Inventories held for use	1,757	(873)
Prepaid expenses	(943)	44,386
	\$ 116,268	\$ 57,806

(b) Acquisition of tangible capital assets:

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

	2022	2021
Acquisition of tangible capital assets	\$ 246,762	\$ 187,933
Disposal of tangible capital assets	(19,795)	(63,983)
	\$ 226,967	\$ 123,950

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

21. 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 19(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.

(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 \$68.0 million (2021 - \$49.0 million) to various facilities within the Authority.

(c) Affiliated organization:

The contributions from the Ministry on behalf of PHC is \$697.8 million (2021 - \$683.6 million) and funds transferred to PHC are recorded as expenses, \$831.6 million (2021 - \$812.0 million). The financial statements of the affiliate, PHC, are not consolidated with the Authority. The annual surplus (deficit) and accumulated (deficit) of PHC is \$5.4 million (2021 - \$(5.9) million), and \$(92.9) million (2021 - \$(98.3) million), respectively.

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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

21. Related parties and other agencies (continued):

(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.

22. 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, portfolio investments, accounts receivable, loan receivable, and Pearson receivable. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. 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 \$386.1 million (2021 - \$322.5 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, 2022, the amount of allowance for doubtful accounts was \$65.3 million (2021 - \$56.2 million).

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

(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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

22. Risk management (continued):

(b) Liquidity risk (continued):

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:

2022 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 744,092	\$ -	\$ -	\$ 744,092
Portfolio investments	2,408	-	-	2,408
Accounts receivable	168,207	-	-	168,207
Loan receivable	399	1,754	1,897	4,050
Pearson receivable	27,897	73,950	-	101,847
Financial assets	\$ 943,003	\$ 75,704	\$ 1,897	\$ 1,020,604

2022 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 530,500	\$ -	\$ -	\$ 530,500
Obligations under capital leases	3,218	16,959	75,048	95,225
Debt	-	-	-	-
Financial liabilities	\$ 533,718	\$ 16,959	\$ 75,048	\$ 625,725

2021 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 586,060	\$ -	\$ -	\$ 586,060
Portfolio investments	-	-	-	-
Accounts receivable	242,694	-	-	242,694
Loan receivable	480	1,690	2,360	4,530
Pearson receivable	12,300	101,847	-	114,147
Financial assets	\$ 841,534	\$ 103,537	\$ 2,360	\$ 947,431

2021 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 489,271	\$ -	\$ -	\$ 489,271
Obligations under capital leases	2,860	15,269	79,955	98,084
Debt	242	185	-	427
Financial liabilities	\$ 492,373	\$ 15,454	\$ 79,955	\$ 587,782

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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

22. Risk management (continued):

(c) 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 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, 2022 are not material.

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.

23. Government partnership:

VCH has entered into an agreement with PHC and PHSA to fund and develop the Clinical and Systems Transformation project (CST). The CST project is a multi-year initiative designed to improve the safety, quality and consistency of patient care across these three organizations. CST is intended to replace multiple aging existing systems with a single common clinical information system.

The agreement maps out the oversight structure for the project and the roles and responsibilities of the three organizations including their funding responsibilities and ownership rights. Under this agreement VCH pays 75% of shared project costs and PHSA pays the remaining 25%. Each organization is then responsible to pay costs that are unique to their organization. Ownership of CST and its related intellectual property is allocated on the same basis as costs. Generally this means that VCH owns 75% of CST and PHSA owns the remaining 25%.

The agreement provides each of the three organizations with the right to use and develop the CST system.

As at March 31, 2022, VCH has capitalized \$449.4M (2021 - \$391.6M) in CST development costs that are reported as part of "Equipment, buildings, construction in progress, and information systems in progress" in note 15 of these financial statements.

24. Housekeeping and food services repatriation:

On August 30, 2021, the Ministry of Health announced that under Bill 47 (Health Sector Statutes Repeal Act), it will start a phased approach to repatriating commercial housekeeping and food service contracts in acute care facilities across the province. This includes workers who currently provide housekeeping and food services to the Authority through contracts with Crothall and Sodexo respectively. The transition to in-house services is expected to begin in July 2022 for food services and in October 2022 for housekeeping.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2022

25. Little Mountain Residential Care and Housing Society:

On March 30, 2022, the Ministry of Health approved the transfer of operations and assets from Little Mountain Residential Care and Housing Society (“the Society”), including Little Mountain Place, Adanac Park Lodge and Little Mountain Court to the Authority.

As a result of the transfer, financial assets increased by \$4.2 million, liabilities increased by \$16.0 million and non-financial assets increased by \$14.2 million. The net credit of \$2.4 million was deferred for future capital needs at the Little Mountain Place, Little Mountain Court and Adanac Park Lodge sites. The transfer amounts are based on the Society's January 31, 2022 Financial Statements and Trial Balance.

26. Windermere Care Centre:

In the spring of 2022, the VGH & UBC Hospital Foundation acquired the property adjacent to Vancouver General Hospital, where Windermere Care Centre (“Windermere”) is located. As part of this acquisition, the Authority will become the new operator of Windermere, a 14-story, 207-bed long-term care home as of March 29, 2022.

27. Significant event:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, followed by BC's provincial Health Officer declaration of a public health emergency on March 17, 2020.

The financial statements of the Authority reflect its response to the pandemic. Events that affect the Authority's operations continued to be addressed through collaboration with and direction from the Ministry. The Authority will continue to respond appropriately to ongoing COVID-19 related issues as necessary and as directed by provincial authorities.

28. Comparative figures:

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