

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2019

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2019 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, the Office of the Auditor General of British Columbia, 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



Mary Ackenhusen
President & Chief Executive Officer



Helen Yung
Interim Chief Financial Officer

Vancouver, BC
June 19, 2019

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (note 2)	\$ 467,330	\$ 466,187
Accounts receivable (note 3)	140,051	112,979
Demand loan receivable (note 4)	29,000	29,000
Loan receivable (note 5)	4,697	4,791
Pearson receivable (note 6)	127,939	142,055
Long-term disability and health and welfare benefits (note 12(b)(i))	-	3,750
	<u>769,017</u>	<u>758,762</u>

Liabilities

Accounts payable and accrued liabilities (note 7)	318,226	293,384
Deferred operating contributions (note 8)	3,471	3,506
Deferred research and designated contributions (note 9)	14,845	12,447
Obligation under capital lease (note 10)	102,821	104,740
Debt (note 11)	931	1,370
Retirement allowance (note 12(a))	134,821	133,508
Long-term disability and health and welfare benefits (note 12(b)(i))	16,252	-
Replacement reserves (note 13)	819	790
Deferred capital contributions (note 14)	1,366,533	1,288,652
	<u>1,958,719</u>	<u>1,838,397</u>

Net debt	\$ (1,189,702)	\$ (1,079,635)
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Non-financial assets

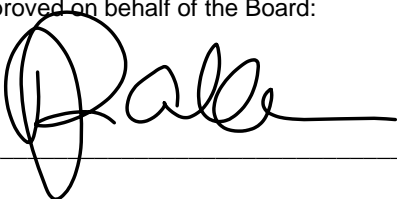
Tangible capital assets (note 15)	1,235,881	1,145,756
Tangible capital assets under lease (note 15)	83,769	86,004
Inventories held for use (note 16)	11,479	10,480
Prepaid expenses (note 17)	22,176	21,944
	<u>\$ 1,353,305</u>	<u>\$ 1,264,184</u>

Accumulated surplus	\$ 163,603	\$ 184,549
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Commitments and contingencies (note 18)

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

Approved on behalf of the Board:



Director

Dr. Penny Ballem, Board Chair



Director

Daniel Nocente, 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, 2019

	2019 Budget (note 1(o))	2019	2018
Revenues:			
Ministry of Health contributions	\$ 2,807,267	\$ 2,847,509	\$ 2,700,947
Medical Services Plan	244,793	254,647	246,591
Other contributions (note 19(a))	169,780	177,355	173,592
Recoveries from other health authorities and BC government reporting entities	137,112	157,210	146,882
Patients, clients and residents (note 19(b))	111,779	131,641	129,390
Amortization of deferred capital contributions (note 14)	80,854	79,449	72,818
Other (note 19(c))	24,118	40,472	30,529
Research and designated contributions (note 9)	20,000	18,188	15,542
Investment income	2,160	3,568	2,644
	<u>3,597,863</u>	<u>3,710,039</u>	<u>3,518,935</u>
Expenses (note 19(d)):			
Acute	2,080,987	2,202,700	2,080,714
Residential care	479,822	486,799	468,413
Corporate	317,493	322,085	286,551
Mental health and substance use	319,764	321,046	309,719
Community care	292,511	289,366	263,576
Population health and wellness	107,286	108,989	104,051
	<u>3,597,863</u>	<u>3,730,985</u>	<u>3,513,024</u>
Annual surplus/(deficit) (note 12(b)(ii))	\$ -	\$ (20,946)	\$ 5,911
Accumulated surplus, beginning of year	184,549	184,549	178,638
Accumulated surplus, end of year	\$ 184,549	\$ 163,603	\$ 184,549

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, 2019

	2019 Budget (note 1(o))	2019	2018
Annual surplus/(deficit)	\$ -	\$ (20,946)	\$ 5,911
Acquisition of tangible capital assets	(249,281)	(173,218)	(185,537)
Amortization of tangible capital assets	86,182	85,328	77,278
	(163,099)	(108,836)	(102,348)
Acquisition of inventories held for use	-	(70,545)	(65,404)
Acquisition of prepaid expenses	-	(39,711)	(39,049)
Consumption of inventories held for use	-	69,546	63,926
Use of prepaid expenses	-	39,479	42,800
	-	(1,231)	2,273
(Increase) decrease in net debt	(163,099)	(110,067)	(100,075)
Net debt, beginning of year	(1,079,635)	(1,079,635)	(979,560)
Net debt, end of year	\$ (1,242,734)	\$ (1,189,702)	\$ (1,079,635)

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, 2019

	2019	2018
Cash flows from operating activities:		
Annual surplus/(deficit)	\$ (20,946)	\$ 5,911
Items not involving cash:		
Amortization of deferred capital contributions	(79,449)	(72,818)
Amortization of tangible capital assets	85,328	77,278
Retirement allowance expense	11,066	10,952
Long term disability, health and welfare benefits expense	69,806	40,524
Interest expense	5,488	5,598
Interest income	(3,568)	(2,644)
	67,725	64,801
Net change in non-cash operating items (note 20(a))	(1,069)	729
Interest paid	(5,488)	(5,598)
Interest received	3,568	2,644
Retirement allowance contributions	(9,753)	(8,647)
Long term disability, health and welfare benefits contributions	(49,804)	(53,178)
Net change in cash from operating activities	5,179	751
Capital activities:		
Acquisition of tangible capital assets (note 20(b))	(173,218)	(185,537)
Net change in cash from capital activities	(173,218)	(185,537)
Investing activities:		
Proceeds from redemption of portfolio investments	-	326
Proceeds (advance) of pearson receivable	14,116	13,760
Proceeds from loan receivable	94	101
Net change in cash from investing activities	14,210	14,187
Financing activities:		
Repayment of obligation under capital lease	(1,919)	(1,646)
Repayment of debt	(439)	(1,021)
Capital contributions	157,330	176,519
Net change in cash from financing activities	154,972	173,852
Increase (decrease) in cash and cash equivalents	1,143	3,253
Cash and cash equivalents, beginning of year	466,187	462,934
Cash and cash equivalents, end of year	\$ 467,330	\$ 466,187

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, 2019

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, 2019

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"), 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, 2019

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 generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(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) 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 for improvements to prepare the assets for sale.

(g) Employee benefits:

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

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability 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 11 years (2018 - 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(h) 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.

(i) 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

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

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

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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(j) Prepaid expenses:

Prepaid expenses include cash disbursements for future events, and operational costs, which will be charged to expense over the periods expected to benefit from it.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

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 accounts receivable, the estimated useful lives of tangible capital assets, 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, 2019

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 portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

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

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

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

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

(o) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2018/2019 Budget approved by the Board of Directors on March 8, 2018 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, 2019

1. Significant accounting policies (continued):

(p) Newly adopted accounting standards:

In June 2015, PSAB issued PS 3430, Restructuring Transactions. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. There is no impact to the financial statements upon transition to this standard.

(q) 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;

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

1. Significant accounting policies (continued):

(q) Future accounting standards (continued):

(i) The main features of PS 3280 are as follows (continued):

- 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, 2021. 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, 2022. Management is in the process of assessing the impact of adoption of PS 3400 on the consolidated financial statements of the Authority.

2. Cash and cash equivalents:

	2019	2018
Cash and cash equivalents	\$ 467,330	\$ 466,187
	467,330	466,187
Amounts restricted for capital purposes	(193,987)	(190,579)
Amounts restricted for research and designated purposes	(15,667)	(13,910)
Amounts restricted for replacement reserves	(819)	(790)
Amounts restricted for patient comfort funds	(752)	(728)
Unrestricted cash and cash equivalents	\$ 256,105	\$ 260,180

Included in cash and cash equivalents is \$380.7 million (2018 - \$387.2 million) held in the Provincial Treasury Central Deposit program.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

3. Accounts receivable:

	2019	2018
Other health authorities and BC government reporting entities	\$ 55,831	\$ 51,182
Patients, clients and residents	34,518	24,386
Ministry of Health	26,818	14,201
Foundations and auxiliaries	25,289	15,578
Medical Services Plan	8,547	8,308
Federal government	3,916	3,153
WorkSafeBC	1,505	2,723
Other	16,538	16,693
	172,962	136,224
Allowance for doubtful accounts	(32,911)	(23,245)
	\$ 140,051	\$ 112,979

4. Demand loan receivable:

The demand loan receivable represents funds advanced to PHC during the fiscal year ended March 31, 2016 to assist PHC with the acquisition of the Station Street Lands. The unsecured loan bears interest at the Government of BC Central Deposit Rate, currently 2.45%, and is payable at the earlier of:

- VCH's demand, which demand may be issued at any time
- the sale of any portion(s) of the Station Street Lands which are not intended to be used as a hospital site, or
- the sale of the lands comprising the current location of St. Paul's Hospital

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.

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.

The loan receivable from 578583 BC Ltd. earns interest at a variable rate which equals the RBC prime rate, currently 3.95%, and has a maturity date of March 2020.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

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 and redevelop the facilities.

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 \$137.0 million is due to be received over a period of 5 years, as follows: \$17.5 million to be received July 2019; \$25.0 million to be received each July 2020 to 2022; and the final payment of \$44.5 million to be received July 2023. The receivable has been discounted to net present value of \$127.9 million (2018 - \$142.1 million) using the BC Provincial Loan Concessionary Rate of 2.61%.

The deferred payments by the Onni Group are secured with a mortgage in favour of the Authority. There is also a security agreement which 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:

	2019	2018
Trade accounts payable and accrued liabilities	\$ 150,529	\$ 139,853
Salaries and benefits payable	94,865	85,046
Accrued vacation pay	72,832	68,485
	<u>\$ 318,226</u>	<u>\$ 293,384</u>

8. Deferred operating contributions:

Deferred operating contributions 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 "go green" projects 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 also recorded as deferred operating contributions and recognized throughout the fiscal year.

	2019	2018
Deferred operating contributions, beginning of year	\$ 3,506	\$ 3,433
Contributions received during the year	2,472	2,501
Amounts recognized as revenue in the year	(2,507)	(2,428)
Deferred operating contributions, end of year	<u>\$ 3,471</u>	<u>\$ 3,506</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

9. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund 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.

	2019	2018
Deferred research and designated contributions, beginning \$ of year	12,447 \$	10,452
Contributions received during the year	20,586	17,537
Amounts recognized as revenue in the year	(18,188)	(15,542)
Deferred research and designated contributions, end of year	\$ 14,845 \$	12,447

10. Obligation under capital lease:

	2019	2018
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	\$ 102,821 \$	104,740
	\$ 102,821 \$	104,740

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

2020	\$	7,566
2021		7,756
2022		7,950
2023		8,149
2024		8,353
Thereafter		122,471
Total minimum lease payments		162,245
Amounts representing interest		(59,424)
	\$	102,821

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

11. Debt:

	2019	2018
Canada Mortgage and Housing Corporation ("CMHC"), secured by first charges on properties, payable in monthly (blended) payments of \$38, including annual interest of 2.16%, renewed January 2019.	\$ 931	\$ 1,370
	\$ 931	\$ 1,370

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

2020	\$	267
2021		237
2022		242
2023		185
	\$	931

12. Employee benefits:

(a) Retirement allowance:

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

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2018 and extrapolated to March 31, 2019 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2019 are derived. The next required valuation will be as of December 31, 2019.

Information about retirement allowance benefits is as follows:

	2019	2018
Accrued benefit obligation:		
Severance benefits	\$ 72,927	\$ 69,324
Sick leave benefits	52,441	51,924
	125,368	121,248
Unamortized actuarial gain	9,453	12,260
Accrued benefit obligation	\$ 134,821	\$ 133,508

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

12. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2019	2018
Accrued benefit obligation, beginning of year	\$ 133,508	\$ 131,203
Net benefit expense:		
Current service cost	7,932	7,861
Interest expense	4,938	4,675
Amortization of actuarial gain	(1,804)	(1,584)
Net benefit expense	11,066	10,952
Benefits paid	(9,753)	(8,647)
Accrued benefit obligation, end of year	\$ 134,821	\$ 133,508

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

	2019	2018
Accrued benefit obligation as at March 31:		
Discount rate	4.01%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(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 liabilities as of March 31, 2019 are based on the actuarial valuation at December 31, 2018, extrapolated to March 31, 2019. The Authority's assets as of March 31, 2018 are based on the actuarial valuation at December 31, 2017. The next expected valuation is as of December 31, 2019.

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

	2019	2018
Fair value of plan assets	\$ 155,066	\$ 166,141
Accrued benefit obligation	(171,318)	(162,391)
Net funded (unfunded) obligation	\$ (16,252)	\$ 3,750

	2019	2018
Long-term disability and health and welfare benefits liability, beginning of year	\$ 3,750	\$ (8,904)
Net benefit expense:		
Long-term disability expense	(17,659)	(18,109)
Actuarial (loss)/gain	(22,455)	337
Health and welfare benefit expense	(30,413)	(26,095)
Interest expense	(9,243)	(8,580)
Employee payments	1,811	830
Contributions adjustment	433	(624)
Ancillary business units expense	2,181	2,821
Expected return on assets	9,570	8,378
Transfer of health and welfare benefits net surplus	(4,031)	518
Net benefit expense	(69,806)	(40,524)
Contributions to the plan - VCH	49,804	53,178
Long-term disability and health and welfare benefits asset (liability), end of year	\$ (16,252)	\$ 3,750
Benefits paid to claimants	\$ (59,118)	\$ (63,166)

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2019	2018
Debt securities	40%	42%
Foreign equities	34%	35%
Equity securities and other	26%	23%
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:

	2019	2018
Accrued benefit asset as at March 31:		
Discount rate	5.80%	5.80%
Rate of benefit increase	1.50%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.30%
Rate of benefit increase	1.50%	1.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.80%

Actual long-term rate of return on plan assets was 0.53% for the year ended December 31, 2018 (December 31, 2017 – 7.58%).

(ii) During the year, performance within the Authority's Trust pool was \$25.583M worse than expected resulting in the (\$20.946)M deficit recognized in the Consolidated Statement of Operations and Accumulated Surplus for the year ended March 31, 2019. Excluding this impact, VCH would have had a surplus of \$4.637M.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(iii) 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, 2019, the Authority made contributions to these joint benefit trusts totalling \$37.2M (2018 - \$33.7M).

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$91.8 million (2018 - \$86.9 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2015 indicated a funding surplus of approximately \$2,224.0 million. The actuary does not attribute portions of the unfunded liability/funding surplus to individual employers. The plan covers approximately 197,000 active members, of which 17,849 are employees of the Authority. The next expected actuarial valuation will be as of December 31, 2018, with results available in 2019.

Employer contributions to the Public Service Plan of \$0.5 million (2018 - \$0.5 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 the plan funding. The most recent actuarial valuation for the plan at March 31, 2017, indicated a surplus of approximately \$1,895.9 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers.

The plan covers approximately 62,000 active members, of which 76 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

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:

	2019	2018
Replacement reserves, beginning of year	\$ 790	\$ 633
Provision for replacement reserve funding	54	88
Interest on replacement reserves	12	14
Replacement reserve adjustment ⁽¹⁾	-	85
Capital Payment	(37)	(30)
Replacement reserves, end of year	\$ 819	\$ 790

⁽¹⁾ Adjustment to Lions Park reserve fund per BC Housing replacement reserve reconciliation.

The replacement reserves by facility are as follows:

	2019	2018
Lions Park Senior Citizens Housing	\$ 259	\$ 249
Shorncliffe Intermediate Care ⁽¹⁾	216	204
Kiwanis Intermediate Care ⁽¹⁾	172	172
Cedarview Lodge ⁽¹⁾	92	92
Hilltop House	80	73
	\$ 819	\$ 790

⁽¹⁾ During fiscal year 2016, Kiwanis Intermediate Care mortgage was paid in full, during fiscal year 2018, Cedarview Lodge mortgage was paid in full and during fiscal year 2019, Shorncliffe Intermediate Care mortgage was paid in full. The Authority is no longer required to increase the reserves, and the balance remaining will be used for future maintenance.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

14. Deferred capital contributions:

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

	2019	2018
Deferred capital contributions, beginning of year	\$ 1,288,652	\$ 1,184,951
Capital contributions received:		
Ministry of Health	115,554	130,823
Foundations and auxiliaries	28,829	34,621
Regional hospital districts	924	2,579
Other	12,023	8,496
	157,330	176,519
	1,445,982	1,361,470
Amortization for the year	(79,449)	(72,818)
Deferred capital contributions, end of year	\$ 1,366,533	\$ 1,288,652

Deferred capital contributions are comprised of the following:

	2019	2018
Contributions used to purchase tangible capital assets	\$ 1,172,545	\$ 1,098,073
Unspent contributions	193,988	190,579
	\$ 1,366,533	\$ 1,288,652

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

15. Tangible capital assets:

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 17,656	\$ -	\$ -	\$ -	\$ 17,656
Land Improvements	10,941	(10,941)	-	-	-
Buildings	1,456,923	-	-	43,294	1,500,217
Equipment	745,580	26,101	(61,794)	-	709,887
Information systems	320,395	-	-	17,113	337,508
Leasehold improvements	34,786	12,034	-	-	46,820
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	102,285	70,975	-	(43,294)	129,966
Equipment and information systems in progress	232,833	75,049	-	(17,113)	290,769
	\$ 3,033,354	\$ 173,218	\$ (61,794)	\$ -	\$ 3,144,778

Accumulated amortization	2018	Amortization	Disposals	Transfers	2019
Buildings	\$ 787,696	\$ 44,133	\$ -	\$ -	\$ 831,829
Equipment	651,938	28,867	(61,794)	-	619,011
Information systems	312,251	5,556	-	-	317,807
Leasehold improvements	23,758	4,537	-	-	28,295
Buildings under capital lease	25,951	2,235	-	-	28,186
	\$ 1,801,594	\$ 85,328	\$ (61,794)	\$ -	\$ 1,825,128

Cost	2017	Additions	Disposals	Transfers	2018
Land	\$ 17,656	\$ -	\$ -	\$ -	\$ 17,656
Land Improvements	-	10,941	-	-	10,941
Buildings	1,353,676	-	-	103,247	1,456,923
Equipment	719,182	26,706	(228)	(80)	745,580
Information systems	318,520	-	-	1,875	320,395
Leasehold improvements	32,507	2,279	-	-	34,786
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	133,993	71,459	-	(103,167)	102,285
Equipment and information systems in progress	160,556	74,152	-	(1,875)	232,833
	\$ 2,848,045	\$ 185,537	\$ (228)	\$ -	\$ 3,033,354

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

15. Tangible capital assets (continued):

Accumulated amortization	2017	Amortization	Disposals	Transfers	2018
Buildings	\$ 745,803	\$ 41,893	\$ -	\$ -	\$ 787,696
Equipment	623,264	28,902	(228)	-	651,938
Information systems	309,472	2,779	-	-	312,251
Leasehold improvements	22,289	1,469	-	-	23,758
Buildings under capital lease	23,716	2,235	-	-	25,951
	\$ 1,724,544	\$ 77,278	\$ (228)	\$ -	\$ 1,801,594

Net book value	2019	2018
Land	\$ 17,656	\$ 17,656
Land Improvements	-	10,941
Buildings	668,388	669,227
Equipment	90,876	93,642
Information systems	19,700	8,144
Leasehold improvements	18,525	11,028
Buildings under capital lease	83,769	86,004
Construction in progress	129,966	102,285
Equipment and information systems in progress	290,770	232,833
	\$ 1,319,650	\$ 1,231,760

Contributed tangible capital assets total \$0.00 million (2018 - \$0.75 million).

Tangible capital assets are funded as follows:

	2019	2018
Deferred capital contributions	\$ 1,172,545	\$ 1,098,073
Debt	103,752	106,110
Internally funded	43,353	27,577
Tangible capital assets	\$ 1,319,650	\$ 1,231,760

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

16. Inventories held for use:

		2019	2018
Pharmaceuticals	\$	10,050	\$ 9,060
Medical supplies		1,429	1,420
	\$	11,479	\$ 10,480

17. Prepaid expenses:

		2019	2018
Contracted services	\$	11,740	\$ 10,905
Maintenance contracts		4,000	4,464
Rent and operating costs		2,983	2,839
Other		3,453	3,736
	\$	22,176	\$ 21,944

18. Commitments and contingencies:

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

As at March 31, 2019, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$502.2 million (2018 - \$442.3 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	2020	2021	2022	2023	2024	Thereafter	Total
Housekeeping	2015 - 2023	\$ 29,782	\$ 30,116	\$ 30,538	\$ 15,525	\$ -	-	\$ 105,961
Laundry	2015 - 2027	15,035	13,921	11,609	11,899	12,197	38,450	103,111
Patient food services	2015 - 2020	37,021	6,343	-	-	-	-	43,364
Waste management	2015 - 2021	2,095	1,126	-	-	-	-	3,221
Access Health Vancouver	2015 - 2037	635	526	855	1,032	1,109	17,576	21,733
		\$ 84,568	\$ 52,032	\$ 43,002	\$ 28,456	\$ 13,306	\$ 56,026	\$ 277,390

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

18. Commitments and contingencies (continued):

(c) Long-term residential care contracts:

The Authority has entered into contracts with 31 service providers to provide residential care services. The aggregate annual commitment for these contracts is \$337.0 million for 2019 (2018 – 31 service providers, \$313.0 million).

(d) Operating leases:

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

2020	\$	37,994
2021		30,919
2022		28,394
2023		25,145
2024		23,095
Thereafter		115,993
		<hr/>
	\$	261,540

(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, 2019, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

19. Statement of operations:

(a) Other contributions:

	2019	2018
Provincial Health Services Authority	\$ 152,850	\$ 146,313
BC government reporting entities	14,029	13,740
Other	10,476	13,539
	<u>\$ 177,355</u>	<u>\$ 173,592</u>

(b) Patients, clients and residents revenue:

	2019	2018
Non-residents of Canada	\$ 43,266	\$ 45,354
Long-term and extended care	37,018	36,613
Non-residents of BC	22,234	17,511
WorkSafe BC	10,186	12,355
Residents of BC self pay	4,920	4,872
Preferred accommodation	3,623	3,968
Other	10,394	8,717
	<u>\$ 131,641</u>	<u>\$ 129,390</u>

(c) Other revenue:

	2019	2018
Parking	\$ 5,688	\$ 5,537
Other	34,784	24,992
	<u>\$ 40,472</u>	<u>\$ 30,529</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

19. Statement of operations (continued):

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

	2019	2018
Compensation:		
Compensation	\$ 1,340,535	1,266,477
Employee benefits	277,359	261,228
Loss/(Gain) on event driven employee benefits	25,583	(652)
	<u>1,643,477</u>	<u>1,527,053</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 21(a))	902,783	860,059
Health and support services providers	602,952	581,477
	<u>1,505,735</u>	<u>1,441,536</u>
Supplies:		
Medical and surgical	116,408	110,442
Drugs and medical gases	73,053	68,732
Diagnostic	23,709	22,860
Printing, stationery and office	4,129	4,318
Laundry and linen	3,834	3,548
Food and dietary	2,294	2,329
Housekeeping	2,231	2,150
Other	27,308	28,498
	<u>252,966</u>	<u>242,877</u>
Amortization of tangible capital assets	<u>85,329</u>	<u>77,278</u>
Equipment and building services:		
Equipment	56,474	64,678
Building and grounds service contracts	25,017	22,677
Plant operations (utilities)	24,029	20,143
Rent	23,157	21,177
Other	16,466	7,555
	<u>145,143</u>	<u>136,230</u>
Sundry:		
Professional fees	26,462	21,497
Communication and data processing	9,777	7,457
Travel	7,155	6,741
Patient transport	5,723	5,112
Other	25,542	26,034
	<u>74,659</u>	<u>66,841</u>
Research	18,188	15,611
Interest on debt and capital leases	5,488	5,598
	<u>\$ 3,730,985</u>	<u>\$ 3,513,024</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

20. Supplementary cash flow information:

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

	2019	2018
Accounts receivable	\$ (27,072)	\$ (24,174)
Accounts payable and accrued liabilities	24,842	20,405
Deferred operating contributions	(35)	73
Deferred research and designated contributions	2,398	1,995
Replacement reserves	29	157
Inventories held for use	(999)	(1,478)
Prepaid expenses	(232)	3,751
	<u>\$ (1,069)</u>	<u>\$ 729</u>

(b) Acquisition of tangible capital assets:

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

	2019	2018
Acquisition of tangible capital assets	\$ 173,218	\$ 185,537
Disposal of tangible capital assets	(61,794)	(228)
	<u>\$ 111,424</u>	<u>\$ 185,309</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

21. Related parties and other agencies:

The following are types of related parties. Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated. Identified differences will be shown as a table within this note. The absence of a table indicates that no significant differences have been identified.

(a) BC government reporting entities:

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

The Authority contracts certain services from the Provincial Health Services Authority (PHSA) – formerly BC Clinical and Support Services (BCCSS), including accounts receivable and payable, payroll, tech services and supply chain. On June 29, 2018, PHSA and BCCSS amalgamated into one organization. The expense recorded for contracted services with PHSA (including BCCSS amounts to June 28, 2018) in 2019 was \$41.8 million (2018 - \$41.6 million).

The Authority contracts clinical and other services to government reporting entities (GREs), including Medical Imaging Services. The revenue recorded for the recoveries from GREs in 2019 was \$120.1 million (2018 - \$112.4 million). The Authority contracts clinical and other services from GREs, including pharmacy and lab services. The expense recorded for the services provided by other GREs in 2019 was \$150.5 million (2018 - \$136.5 million). As at March 31, the Authority has an accounts receivable of \$33.2 million (2018 - \$31.1 million) and accounts payable of \$40.8 million (2018 - \$25.9 million) to other GREs for these services.

Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Other transactions have been recorded at fair value and are not disclosed in this note.

(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 \$49.3 million (2018 - \$55.1 million) to various facilities within the Authority.

(c) Affiliated organization:

The financial statements of the affiliate, PHC, are not consolidated with the Authority. The annual deficit and accumulated deficit of PHC is \$(9.6) million (2018 – \$(4.7) million), and \$(95.1) million (2018 - \$(85.5) million), respectively.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

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.

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

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

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, 2019, the amount of allowance for doubtful accounts was \$32.9 million (2018 - \$23.2 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. If the current funding and cash on hand were insufficient to satisfy its current obligations, the Authority has the option to sell its portfolio investments, which can be liquidated without additional cost.

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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2019

22. Risk management (continued):

(b) Liquidity risk (continued):

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

2019 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 467,330	\$	\$	\$ 467,330
Accounts receivable	140,051			140,051
Demand loan receivable	29,000			29,000
Loan receivable	4,697			4,697
Pearson receivable	14,489	113,450		127,939
Financial assets	\$ 655,567	\$ 113,450	\$ -	\$ 769,017

2019 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 318,226	\$	\$	\$ 318,226
Obligations under capital leases	2,212	12,202	88,407	102,821
Debt	267	664		931
Financial liabilities	\$ 320,705	\$ 12,866	\$ 88,407	\$ 421,978

2018 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 466,187	\$	\$	\$ 466,187
Accounts receivable	112,979			112,979
Demand loan receivable	29,000			29,000
Loan receivable	4,791			4,791
Pearson receivable	14,120	83,765	44,170	142,055
Financial assets	\$ 627,077	\$ 83,765	\$ 44,170	\$ 755,012

2018 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 293,384	\$	\$	\$ 293,384
Obligations under capital leases	1,919	10,814	92,007	104,740
Debt	439	931		1,370
Financial liabilities	\$ 295,742	\$ 11,745	\$ 92,007	\$ 399,494

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, 2019

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 transaction and translation risks.

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 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, 2019, VCH has capitalized \$241.2M in CST development costs that are reported as part of "Equipment and information systems in progress" in note 15 of these financial statements.

24. Reclassification and comparative figures:

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.