

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2021

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2021 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

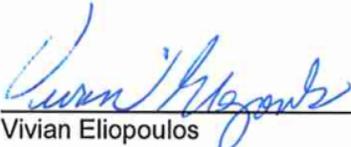
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized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

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

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

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to management and the Audit and Finance Committee of the Board and meet with each on a regular basis.

On behalf of Vancouver Coastal Health Authority



Vivian Eliopoulos
President & Chief Executive Officer



Fernando Pica
Chief Financial Officer and VP, Strategic
Business Services

Vancouver, BC
June 17, 2021



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Vancouver Coastal Health Authority (the "Authority"), which comprise the Statement of Financial Position as at March 31, 2021, 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, 2021 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 23, 2021

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents (note 2)	\$ 586,060	\$ 430,272
Accounts receivable (note 3)	242,694	131,459
Demand loan receivable (note 4)	-	38,500
Loan receivable (note 5)	4,530	4,611
Pearson receivable (note 6)	114,147	113,456
Long-term disability and health and welfare benefits (note 12(b)(i))	26,485	3,269
Inventories held for sale	48	30
	<u>973,964</u>	<u>721,597</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	489,271	366,291
Deferred operating revenue (note 8)	3,399	3,198
Deferred research and designated revenue (note 9)	19,929	16,835
Obligation under capital lease (note 10)	98,084	100,609
Debt (note 11)	427	664
Retirement allowance (note 12(a))	141,308	138,316
Replacement reserves (note 13)	798	836
Deferred capital contributions (note 14)	1,627,586	1,478,526
	<u>2,380,802</u>	<u>2,105,275</u>
Net debt	<u>(1,406,838)</u>	<u>(1,383,678)</u>
Non-financial assets		
Tangible capital assets (note 15)	1,558,080	1,467,772
Inventories held for use (note 16)	13,919	13,046
Prepaid expenses (note 17)	29,455	73,841
	<u>1,601,454</u>	<u>1,554,659</u>
Accumulated surplus	<u>\$ 194,616</u>	<u>\$ 170,981</u>

Commitments and contingencies (note 18)

Significant event (note 25)

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, 2021

	2021 Budget (note 1(n))	2021	2020
Revenues:			
Ministry of Health contributions	\$ 3,211,029	\$ 3,701,807	\$ 3,081,482
Medical Services Plan	293,394	300,258	280,764
Recoveries from other health authorities and BC government reporting entities	180,247	187,406	184,767
Other contributions (note 19(a))	183,447	178,326	178,764
Patients, clients and residents (note 19(b))	134,016	100,192	140,196
Amortization of deferred capital contributions (note 14)	100,167	93,408	88,520
Other (note 19(c))	28,262	35,385	40,658
Research and designated revenue (note 9)	20,000	15,676	18,007
PharmaCare	7,765	5,626	5,691
Investment income	2,160	1,828	3,948
	<u>4,160,487</u>	<u>4,619,912</u>	<u>4,022,797</u>
Expenses (note 19(d)):			
Acute	2,398,439	2,642,021	2,341,252
Long term care	566,362	679,045	534,285
Community care	352,982	380,478	336,418
Corporate	376,301	374,027	350,686
Mental health and substance use	352,905	372,388	341,842
Population health and wellness	113,498	148,318	110,936
	<u>4,160,487</u>	<u>4,596,277</u>	<u>4,015,419</u>
Annual surplus	\$ -	\$ 23,635	\$ 7,378
Accumulated surplus, beginning of year	170,981	170,981	163,603
Accumulated surplus, end of year	\$ 170,981	\$ 194,616	\$ 170,981

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, 2021

	2021 Budget (note 1(n))	2021	2020
Annual surplus	\$ -	\$ 23,635	\$ 7,378
Acquisition of tangible capital assets	(258,277)	(187,933)	(239,584)
Amortization of tangible capital assets	105,125	97,625	91,462
	(153,152)	(66,673)	(140,744)
Acquisition of inventories held for use	-	(71,333)	(77,210)
Acquisition of prepaid expenses	-	(115,533)	(96,357)
Consumption of inventories held for use	-	70,460	75,643
Use of prepaid expenses	-	159,919	44,692
	-	43,513	(53,232)
Increase in net debt	(153,152)	(23,160)	(193,976)
Net debt, beginning of year	(1,383,678)	(1,383,678)	(1,189,702)
Net debt, end of year	\$ (1,536,830)	\$ (1,406,838)	\$ (1,383,678)

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, 2021

	2021	2020
Cash flows from operating transactions:		
Annual surplus	\$ 23,635	\$ 7,378
Items not involving cash:		
Amortization of deferred capital contributions	(93,408)	(88,520)
Amortization of tangible capital assets	97,625	91,462
Retirement allowance expense	12,144	11,600
Long term disability, health and welfare benefits expense	40,507	40,369
Interest expense	7,474	5,375
Investment income	(1,828)	(3,948)
	86,149	63,716
Net change in non-cash operating items (note 20(a))	57,806	2,112
Interest paid	(7,474)	(5,375)
Interest received	1,828	3,948
Retirement allowance contributions	(9,152)	(8,105)
Long term disability, health and welfare benefits contributions	(63,723)	(59,890)
Net change in cash from operating transactions	65,434	(3,594)
Capital transactions:		
Acquisition of tangible capital assets (note 20(b))	(187,933)	(239,584)
Net change in cash from capital transactions	(187,933)	(239,584)
Investing transactions:		
Advance of demand loan receivable	-	(9,500)
Repayment of demand loan receivable	38,500	-
Proceeds from Pearson receivable	-	17,500
Proceeds from loan receivable	81	86
Net change in cash from investing transactions	38,581	8,086
Financing transactions:		
Payment of obligation under capital lease	(2,525)	(2,212)
Repayment of debt	(237)	(267)
Capital contributions received	242,468	200,513
Net change in cash from financing transactions	239,706	198,034
Increase (decrease) in cash and cash equivalents	155,788	(37,058)
Cash and cash equivalents, beginning of year	430,272	467,330
Cash and cash equivalents, end of year	\$ 586,060	\$ 430,272

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, 2021

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, 2021

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, 2021

1. Significant accounting policies (continued):

(d) Cash and cash equivalents:

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

(e) Accounts receivable:

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

(f) 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.

(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 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 11 years (2020 - 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, 2021

1. Significant accounting policies (continued):

(g) 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.

(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

VANCOUVER COASTAL HEALTH AUTHORITY

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

Year Ended March 31, 2021

1. Significant accounting policies (continued):

(i) 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, 2021

1. Significant accounting policies (continued):

(j) 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.

(k) 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, 2021

1. Significant accounting policies (continued):

(l) 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.

(m) 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.

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2020/2021 Budget approved by the Board of Directors on April 30, 2020 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, 2021

1. Significant accounting policies (continued):

(o) 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, 2021

2. Cash and cash equivalents:

	2021	2020
Provincial Treasury Central Deposit program	\$ 322,527	\$ 339,421
Cash and cash equivalents	263,533	90,851
	586,060	430,272
Amounts externally restricted for capital purposes	(241,980)	(174,761)
Amounts externally restricted for research and designated purposes	(20,738)	(17,759)
Amounts externally restricted for patient comfort funds	(950)	(840)
Amounts externally restricted for replacement reserves	(798)	(836)
Unrestricted cash and cash equivalents	\$ 321,594	\$ 236,076

3. Accounts receivable:

	2021	2020
Ministry of Health	\$ 120,981	\$ 20,417
Other health authorities and BC government reporting entities	65,544	68,123
Patients, clients and residents	54,218	51,961
Foundations and auxiliaries	24,638	11,936
Medical Services Plan	6,750	4,073
Federal government	5,130	2,480
WorkSafeBC	1,801	1,998
Other	19,827	21,881
	298,889	182,869
Allowance for doubtful accounts	(56,195)	(51,410)
	\$ 242,694	\$ 131,459

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Year Ended March 31, 2021

4. Demand loan receivable:

The demand loan receivable represents funds of \$29.0 million advanced to PHC during the fiscal year ended March 31, 2016 to assist PHC with the acquisition of the Station Street Lands. During the fiscal year ended March 31, 2020, an addendum was entered into for the purpose of advancing additional funds of \$9.5 million to assist with certain costs associated with the Redevelopment Project. The unsecured loan bears interest at the Government of BC Central Deposit Rate, currently 0.95% (0.95% as at March 31, 2020). The full amount of the original demand loan is payable at the earliest 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

The additional loan of \$9.5 million shall only be payable upon sale of the lands comprising the current location of St. Paul's Hospital.

During the fiscal year ended March 31, 2021, PHC reached an agreement to sell the lands comprising the current location of St. Paul's Hospital. On March 30, 2021, PHC made a full loan repayment of \$38.5 million.

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 variable rate which equals the RBC prime rate, 2.45% as at March 31, 2021 (2.45% as at March 31, 2020).

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

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Year Ended March 31, 2021

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 \$119.5 million is due to be received over a period of 3 years, as follows: \$15.0 million to be received October 2021; \$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 \$114.1 million (2020 - \$113.5 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 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:

	2021	2020
Trade accounts payable and accrued liabilities	\$ 260,235	\$ 175,820
Salaries and benefits payable	135,158	111,492
Accrued vacation pay	93,878	78,979
	<u>\$ 489,271</u>	<u>\$ 366,291</u>

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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.

		2021		2020
Deferred operating revenue, beginning of year	\$	3,198	\$	3,471
Amounts received during the year		1,988		1,883
Amounts recognized as revenue in the year		(1,787)		(2,156)
Deferred operating revenue, end of year	\$	3,399	\$	3,198

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. Revenues are received from pharmaceutical companies and other donors for various research projects to promote the health and well-being of residents within the region.

		2021		2020
Deferred research and designated contributions, beginning of year	\$	16,835	\$	14,845
Amounts received during the year		18,770		19,997
Amounts recognized as revenue in the year		(15,676)		(18,007)
Deferred research and designated contributions, end of year	\$	19,929	\$	16,835

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Year Ended March 31, 2021

10. Obligation under capital lease:

	2021	2020
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	\$ 98,084	\$ 100,609
	\$ 98,084	\$ 100,609

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

2022	\$ 7,950
2023	8,149
2024	8,353
2025	8,562
2026	8,776
Thereafter	105,133
Total minimum lease payments	146,923
Amounts representing interest	(48,839)
	\$ 98,084

11. Debt:

	2021	2020
Canada Mortgage and Housing Corporation ("CMHC") loan, \$ secured by first charges on properties, payable in monthly (blended) payments of \$20,774, including annual interest of 2.18%, maturity date December 2022.	427	\$ 664
	\$ 427	\$ 664

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

2022	\$ 242
2023	185
	\$ 427

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Year Ended March 31, 2021

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, 2020 and extrapolated to March 31, 2021 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2021 are derived. The next required valuation will be as of December 31, 2021.

Information about retirement allowance benefits is as follows:

	2021	2020
Accrued benefit obligation:		
Severance benefits	\$ 82,764	\$ 76,506
Sick leave benefits	59,666	55,423
	142,430	131,929
Unamortized actuarial (loss) gain	(1,122)	6,387
Accrued benefit liability	\$ 141,308	\$ 138,316

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2021

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:

	2021	2020
Accrued benefit liability, beginning of year	\$ 138,316	\$ 134,821
Net benefit expense:		
Current service cost	8,659	8,360
Interest expense	5,075	4,953
Amortization of actuarial gain	(1,590)	(1,713)
Net benefit expense	12,144	11,600
Benefits paid	(9,152)	(8,105)
Accrued benefit liability, end of year	\$ 141,308	\$ 138,316

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

	2021	2020
Accrued benefit obligation as at March 31:		
Discount rate	3.14%	3.79%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.79%	4.01%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
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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, 2021 are based on the actuarial valuation at December 31, 2020, extrapolated to March 31, 2021. The next expected valuation will be as of December 31, 2021.

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2021

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:

	2021	2020
Fair value of plan assets	\$ 209,576	\$ 178,594
Accrued benefit obligation	(183,091)	(175,325)
Long-term disability and health and welfare benefits asset	\$ 26,485	\$ 3,269
	2021	2020
Long-term disability and health and welfare benefits asset (liability), beginning of year	\$ 3,269	\$ (16,252)
Net benefit expense:		
Long-term disability expense	(20,352)	(18,369)
Actuarial gain	10,274	5,012
Health and welfare benefit expense	(35,772)	(33,397)
Interest expense	(9,968)	(9,786)
Contributions adjustment	586	930
Ancillary business units expense	3,910	3,834
Expected return on assets	10,364	9,181
Transfer of health and welfare benefits net surplus	451	2,226
Net benefit expense	(40,507)	(40,369)
Contributions to the plan - VCH	63,723	59,890
Long-term disability and health and welfare benefits asset, end of year	\$ 26,485	\$ 3,269
Benefits paid to claimants	\$ (53,854)	\$ (61,145)

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12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2021	2020
Debt securities	39%	39%
Foreign equities	35%	36%
Equity securities and other	26%	25%
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:

	2021	2020
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.60%
Rate of benefit increase	2.00%	2.00%
Benefit costs for years ended March 31:		
Discount rate	5.30%	5.60%
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	5.30%	5.60%

Actual long-term rate of return on plan assets was 9.17% for the year ended December 31, 2020 (December 31, 2019 – 12.40%).

(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, 2021, the Authority made contributions to these joint benefit trusts totalling \$46.7M (2020 - \$41.8M).

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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 \$112.5 million (2020 - \$100.6 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 213,000 active members, of which 20,973 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 (2020 - \$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 67,000 active members, of which 62 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2023 with results available in early 2024.

VANCOUVER COASTAL HEALTH AUTHORITY

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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:

	2021	2020
Replacement reserves, beginning of year	\$ 836	\$ 819
Provision for replacement reserve funding	41	43
Interest on replacement reserves	2	9
Eligible Expenditures	(81)	(35)
Replacement reserves, end of year	\$ 798	\$ 836

The replacement reserves by facility are as follows:

	2021	2020
Lions Park Senior Citizens Housing	\$ 285	\$ 273
Shorncliffe Intermediate Care ⁽¹⁾	216	216
Kiwanis Intermediate Care ⁽¹⁾	172	172
Cedarview Lodge ⁽¹⁾	92	92
Hilltop House ⁽¹⁾	33	83
	\$ 798	\$ 836

⁽¹⁾ 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.

VANCOUVER COASTAL HEALTH AUTHORITY

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14. Deferred capital contributions:

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

	2021	2020
Deferred capital contributions, beginning of year	\$ 1,478,526	\$ 1,366,533
Capital contributions received:		
Ministry of Health	210,886	167,232
Foundations and auxiliaries	26,539	23,617
Regional hospital districts	1,204	41
Other	3,839	9,623
	242,468	200,513
	1,720,994	1,567,046
Amortization for the year	(93,408)	(88,520)
Deferred capital contributions, end of year	\$ 1,627,586	\$ 1,478,526

Deferred capital contributions are comprised of the following:

	2021	2020
Contributions used to purchase tangible capital assets	\$ 1,385,606	\$ 1,303,765
Unspent contributions	241,980	174,761
	\$ 1,627,586	\$ 1,478,526

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Year Ended March 31, 2021

15. Tangible capital assets:

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

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

Cost	2019	Additions	Disposals	Transfers	2020
Land	\$ 17,656	\$ -	\$ -	\$ -	\$ 17,656
Buildings	1,500,217	-	-	43,217	1,543,434
Equipment	709,887	31,161	(120)	-	740,928
Information systems	337,508	-	-	11,389	348,897
Leasehold improvements	46,820	8,081	-	-	54,901
Buildings under capital lease	111,955	-	-	-	111,955
Construction in progress	129,966	91,697	-	(43,217)	178,446
Equipment and information systems in progress	290,769	108,645	-	(11,389)	388,025
	\$ 3,144,778	\$ 239,584	\$ (120)	\$ -	\$ 3,384,242

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15. Tangible capital assets (continued):

Accumulated amortization	2019	Amortization	Disposals	Transfers	2020
Buildings	\$ 831,829	\$ 47,193	\$ -	\$ -	\$ 879,022
Equipment	619,011	28,969	(120)	-	647,860
Information systems	317,807	7,975	-	-	325,782
Leasehold improvements	28,295	5,090	-	-	33,385
Buildings under capital lease	28,186	2,235	-	-	30,421
	\$ 1,825,128	\$ 91,462	\$ (120)	\$ -	\$ 1,916,470

Net book value	2021	2020
Land	\$ 17,656	\$ 17,656
Buildings	683,187	664,412
Equipment	96,287	93,068
Information systems	20,836	23,115
Leasehold improvements	23,803	21,516
Buildings under capital lease	79,299	81,534
Construction in progress	195,352	178,446
Equipment and information systems in progress	441,660	388,025
	\$ 1,558,080	\$ 1,467,772

Contributed tangible capital assets total \$0.273 million (2020 - \$0.026 million).

Tangible capital assets are funded as follows:

	2021	2020
Deferred capital contributions	\$ 1,385,606	\$ 1,303,765
Debt and capital leases	98,512	101,273
Internally funded	73,962	62,734
Tangible capital assets	\$ 1,558,080	\$ 1,467,772

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16. Inventories held for use:

	2021	2020
Pharmaceuticals	\$ 11,421	\$ 11,586
Medical supplies	1,318	1,034
Personal Protective Equipment	1,180	426
	\$ 13,919	\$ 13,046

During the year ended March 31, 2021, the Authority recorded a total impairment of inventories in the amount of \$37.4M consisting of various Personal Protective Equipment (PPE).

17. Prepaid expenses:

	2021	2020
Contracted services	\$ 15,798	\$ 19,442
Maintenance contracts	6,228	4,713
Rent and operating costs	3,255	3,063
COVID-19 personal protective equipment supply deposit	-	43,279
Other	4,174	3,344
	\$ 29,455	\$ 73,841

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Year Ended March 31, 2021

18. Commitments and contingencies:

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

As at March 31, 2021, the Authority had outstanding commitments of \$624.7 million (2020 - \$452.3 million) for construction, equipment and information systems projects in progress.

(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:

	Term	2022	2023	2024	2025	2026	Thereafter	Total
Laundry	2015 - 2027	\$ 16,128	\$ 16,532	\$ 16,945	\$ 17,368	\$ 15,908	13,184	\$ 96,065
Housekeeping	2015 - 2023	31,150	15,836	-	-	-	-	46,986
Access Health Vancouver	2015 - 2037	846	1,021	1,097	1,046	1,082	15,250	20,342
Waste management	2015 - 2026	2,562	2,522	2,573	2,304	1,274	-	11,235
Patient food services	2015 - 2022	6,559	-	-	-	-	-	6,559
		\$ 57,245	\$ 35,911	\$ 20,615	\$ 20,718	\$ 18,264	\$ 28,434	\$ 181,187

(c) Long term care contracts:

The Authority has entered into contracts with 32 service providers to provide long-term care services. The aggregate annual estimated commitment for these contracts is \$398.0 million for 2021 (2020 – 31 service providers, \$374.0 million).

(d) Operating leases:

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

2022	\$ 42,284
2023	38,127
2024	35,663
2025	33,934
2026	29,713
Thereafter	156,582
	<u>\$ 336,303</u>

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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, 2021, 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.

19. Statement of operations:

(a) Other contributions:

	2021	2020
Provincial Health Services Authority	\$ 150,615	\$ 153,058
BC government reporting entities	14,707	14,375
Other	13,004	11,331
	<u>\$ 178,326</u>	<u>\$ 178,764</u>

(b) Patients, clients and residents revenue:

	2021	2020
Long-term and extended care	\$ 36,278	\$ 38,053
Non-residents of BC	21,708	25,679
Non-residents of Canada	18,301	49,658
WorkSafe BC	10,646	12,461
Residents of BC self pay	8,008	5,503
Preferred accommodation	2,137	3,591
Uninsured residents	1,561	3,653
Other	1,553	1,598
	<u>\$ 100,192</u>	<u>\$ 140,196</u>

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19. Statement of operations (continued):

(c) Other revenue:

	2021	2020
Recoveries from compensation	\$ 12,135	\$ 9,031
Recoveries from sales of goods and services	8,578	10,217
Parking	229	5,317
Other	14,443	16,093
	<u>\$ 35,385</u>	<u>\$ 40,658</u>

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19. Statement of operations (continued):

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

	2021	2020
Employee related:		
Compensation	\$ 1,677,114	1,441,065
Employee benefits	351,263	316,092
Gain on event driven employee benefits	(13,351)	(7,009)
	<u>2,015,026</u>	<u>1,750,148</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 21(a))	1,132,637	999,688
Health and support services providers	755,690	661,579
	<u>1,888,327</u>	<u>1,661,267</u>
Supplies:		
Medical and surgical	124,849	120,424
Drugs and medical gases	73,565	79,009
Diagnostic	28,855	25,269
Printing, stationery and office	4,330	4,208
Laundry and linen	31,385	4,077
Food and dietary	2,653	2,602
Housekeeping	5,581	2,513
Other	54,750	25,587
	<u>325,968</u>	<u>263,689</u>
Amortization of tangible capital assets	97,625	91,462
Equipment and building services:		
Equipment	84,189	59,841
Building and grounds service contracts	29,900	27,167
Rent	25,516	23,759
Plant operations (utilities)	20,866	20,613
Other	8,562	11,373
	<u>169,033</u>	<u>142,753</u>
Sundry:		
Professional fees	26,378	17,965
Communication and data processing	11,377	11,447
Travel	7,278	8,286
Patient transport	5,673	6,072
Other	26,442	38,951
	<u>77,148</u>	<u>82,721</u>
Research	15,676	18,004
Interest on debt and capital leases	7,474	5,375
	<u>\$ 4,596,277</u>	<u>\$ 4,015,419</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2021

20. Supplementary cash flow information:

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

	2021	2020
Accounts receivable	\$ (111,235)	\$ 8,592
Pearson receivable	(691)	(3,017)
Accounts payable and accrued liabilities	122,980	48,065
Deferred operating revenue	201	(273)
Deferred research and designated revenue	3,094	1,990
Replacement reserves	(38)	17
Inventories held for sale	(18)	(30)
Inventories held for use	(873)	(1,567)
Prepaid expenses	44,386	(51,665)
	<u>\$ 57,806</u>	<u>\$ 2,112</u>

(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.

	2021	2020
Acquisition of tangible capital assets	\$ 187,933	\$ 239,584
Disposal of tangible capital assets	(63,983)	(120)
	<u>\$ 123,950</u>	<u>\$ 239,464</u>

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Year Ended March 31, 2021

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 \$49.0 million (2020 - \$64.6 million) to various facilities within the Authority.

(c) Affiliated organization:

The contributions from the Ministry on behalf of PHC is \$683.6 million (2020 - \$559.9 million) and funds transferred to PHC are recorded as expenses, \$812.0 million (2020 - \$682.1 million). The financial statements of the affiliate, PHC, are not consolidated with the Authority. The annual surplus (deficit) and accumulated (deficit) of PHC is \$(5.9) million (2020 - \$2.6 million), and \$(98.3) million (2020 - \$(92.4) million), respectively.

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

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2021

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, 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 \$322.5 million (2020 - \$339.4 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, 2021, the amount of allowance for doubtful accounts was \$56.2 million (2020 - \$51.4 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.

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

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Year Ended March 31, 2021

22. Risk management (continued):

(b) Liquidity risk (continued):

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

2021 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 586,060	-	-	\$ 586,060
Accounts receivable	242,694	-	-	242,694
Loan receivable	-	-	4,530	4,530
Pearson receivable	12,300	101,847	-	114,147
Financial assets	\$ 841,054	\$ 101,847	\$ 4,530	\$ 947,431

2021 Financial 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

2020 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 430,272	\$ -	\$ -	\$ 430,272
Accounts receivable	131,459	-	-	131,459
Demand loan receivable	38,500	-	-	38,500
Loan receivable	-	-	4,611	4,611
Pearson receivable	22,507	90,949	-	113,456
Financial assets	\$ 622,738	\$ 90,949	\$ 4,611	\$ 718,298

2020 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 366,291	\$ -	\$ -	\$ 366,291
Obligations under capital leases	2,525	13,685	84,399	100,609
Debt	237	427	-	664
Financial liabilities	\$ 369,053	\$ 14,112	\$ 84,399	\$ 467,564

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

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Year Ended March 31, 2021

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, 2021 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, 2021, VCH has capitalized \$385.4M (2020 - \$331.2M) in CST development costs that are reported as part of "Equipment and information systems in progress" in note 15 of these financial statements.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements
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Year Ended March 31, 2021

24. Home support repatriation:

In March 2019, the Health Minister announced that privately run home support services would be transitioned back to the Health Authorities over the course of the 2019/20 fiscal year. The change started subsequent to expiration of existing contracts in March 2020.

VCH determined there were opportunities to better integrate services offered by the health authority and their own team of care providers, especially due to the rise in demand for home support.

As of September 2020, staff from Bayshore Home Health, ParaMed, SE Health and Greater Vancouver Community Services Society (GVCSS) had been repatriated back to the Authority along with their clients and the repatriation process was completed.

25. Significant event:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. BC's Provincial Health Officer declared a public health emergency on March 17, 2020; the following day the province declared a provincial state of emergency. Both declarations continue at the financial statement date. On July 10, 2020, the COVID-19 Related Measures Act came into force.

The financial statements of the health authority reflect its response to the pandemic. Events that occurred and affected health authorities' operations in 2020/21 were addressed through collaboration with and direction from the Ministry of Health; health authorities will continue to respond appropriately to ongoing COVID-19 related issues as long as necessary as directed by provincial authorities.

26. Comparative figures:

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