

Financial Statements of

**VANCOUVER COASTAL
HEALTH AUTHORITY**

Year Ended March 31, 2020

Statement of Management Responsibility

The financial statements of Vancouver Coastal Health Authority (the "Authority") for the year ended March 31, 2020 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



Mary Ackenhusen
President & Chief Executive Officer



Fernando Pica
Chief Financial Officer and VP, Strategic
Business Services

Vancouver, BC
June 24, 2020

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, 2020, 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, 2020 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.

Other Matter

The financial statements of the Authority for the year ended March 31, 2019, were audited by another auditor who expressed a qualified opinion based on Canadian public sector accounting standards on those statements on July 15, 2019.

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 24, 2020

VANCOUVER COASTAL HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents (note 2)	\$ 430,272	\$ 467,330
Accounts receivable (note 3)	131,459	140,051
Demand loan receivable (note 4)	38,500	29,000
Loan receivable (note 5)	4,611	4,697
Pearson receivable (note 6)	113,456	127,939
Long-term disability and health and welfare benefits (note 12(b)(i))	3,269	-
Inventories held for sale	30	-
	<u>721,597</u>	<u>769,017</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	366,291	318,226
Deferred operating revenue (note 8)	3,198	3,471
Deferred research and designated revenue (note 9)	16,835	14,845
Obligation under capital lease (note 10)	100,609	102,821
Debt (note 11)	664	931
Retirement allowance (note 12(a))	138,316	134,821
Long-term disability and health and welfare benefits (note 12(b)(i))	-	16,252
Replacement reserves (note 13)	836	819
Deferred capital contributions (note 14)	1,478,526	1,366,533
	<u>2,105,275</u>	<u>1,958,719</u>
Net debt	<u>(1,383,678)</u>	<u>(1,189,702)</u>
Non-financial assets		
Tangible capital assets (note 15)	1,467,772	1,319,650
Inventories held for use (note 16)	13,046	11,479
Prepaid expenses (note 17)	73,841	22,176
	<u>1,554,659</u>	<u>1,353,305</u>
Accumulated surplus	<u>\$ 170,981</u>	<u>\$ 163,603</u>
Commitments and contingencies (note 18)		
Subsequent event (note 25)		
Significant event (note 26)		

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

Approved on behalf of the Board:



Director



Director

Dr. Penny Ballem, Board Chair

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, 2020

	2020 Budget (note 1(o))	2020	2019
Revenues:			
Ministry of Health contributions	\$ 3,004,003	\$ 3,081,482	\$ 2,847,509
Medical Services Plan	253,630	280,764	254,647
Recoveries from other health authorities and BC government reporting entities	144,547	184,767	157,210
Other contributions (note 19(a))	170,736	178,764	177,355
Patients, clients and residents (note 19(b))	120,018	145,887	131,641
Amortization of deferred capital contributions (note 14)	85,378	88,520	79,449
Other (note 19(c))	29,803	40,658	40,472
Research and designated revenue (note 9)	20,000	18,007	18,188
Investment income	2,160	3,948	3,568
	<u>3,830,275</u>	<u>4,022,797</u>	<u>3,710,039</u>
Expenses (note 19(d)):			
Acute	2,202,652	2,341,252	2,202,700
Residential care	512,516	534,285	486,799
Corporate	338,018	350,686	322,085
Mental health and substance use	336,195	341,842	321,046
Community care	329,055	336,418	289,366
Population health and wellness	111,839	110,936	108,989
	<u>3,830,275</u>	<u>4,015,419</u>	<u>3,730,985</u>
Annual surplus/(deficit) (note 12(b)(ii))	\$ -	\$ 7,378	\$ (20,946)
Accumulated surplus, beginning of year	163,603	163,603	184,549
Accumulated surplus, end of year	\$ 163,603	\$ 170,981	\$ 163,603

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, 2020

	2020 Budget (note 1(o))	2020	2019
Annual surplus/(deficit)	\$ -	\$ 7,378	\$ (20,946)
Acquisition of tangible capital assets	(230,331)	(239,584)	(173,218)
Amortization of tangible capital assets	90,535	91,462	85,328
	(139,796)	(140,744)	(108,836)
Acquisition of inventories held for use	-	(77,210)	(70,545)
Acquisition of prepaid expenses	-	(96,357)	(39,711)
Consumption of inventories held for use	-	75,643	69,546
Use of prepaid expenses	-	44,692	39,479
	-	(53,232)	(1,231)
Increase in net debt	(139,796)	(193,976)	(110,067)
Net debt, beginning of year	(1,189,702)	(1,189,702)	(1,079,635)
Net debt, end of year	\$ (1,329,498)	\$ (1,383,678)	\$ (1,189,702)

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, 2020

	2020	2019
Cash flows from operating transactions:		
Annual surplus/(deficit)	\$ 7,378	\$ (20,946)
Items not involving cash:		
Amortization of deferred capital contributions	(88,520)	(79,449)
Amortization of tangible capital assets	91,462	85,328
Retirement allowance expense	11,600	11,066
Long term disability, health and welfare benefits expense	40,369	69,806
Interest expense	5,375	5,488
Investment income	(3,948)	(3,568)
	63,716	67,725
Net change in non-cash operating items (note 20(a))	2,112	(4,453)
Interest paid	(5,375)	(5,488)
Interest received	3,948	3,568
Retirement allowance contributions	(8,105)	(9,753)
Long term disability, health and welfare benefits contributions	(59,890)	(49,804)
Net change in cash from operating transactions	(3,594)	1,795
Capital transactions:		
Acquisition of tangible capital assets (note 20(b))	(239,584)	(173,218)
Net change in cash from capital transactions	(239,584)	(173,218)
Investing transactions:		
Advance of demand loan receivable	(9,500)	-
Proceeds from Pearson receivable	17,500	17,500
Proceeds from loan receivable	86	94
Net change in cash from investing transactions	8,086	17,594
Financing transactions:		
Repayment of obligation under capital lease	(2,212)	(1,919)
Repayment of debt	(267)	(439)
Capital contributions	200,513	157,330
Net change in cash from financing transactions	198,034	154,972
(Decrease) increase in cash and cash equivalents	(37,058)	1,143
Cash and cash equivalents, beginning of year	467,330	466,187
Cash and cash equivalents, end of year	\$ 430,272	\$ 467,330

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, 2020

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, 2020

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, 2020

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 and inventory 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.

Inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Net realizable value is the estimated selling price less any costs to sell. Inventories held for sale are a variety of items sold at the VGH Gift Shop.

(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 (2019 - 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, 2020

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, 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

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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 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.

(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, 2020

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, 2020

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 2019/2020 Budget approved by the Board of Directors on March 6, 2019 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, 2020

1. Significant accounting policies (continued):

(p) Future accounting standards:

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

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

The main features of PS 3280 are as follows:

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

PS 3280 applies to fiscal years beginning on or after April 1, 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.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

2. Cash and cash equivalents:

	2020	2019
Cash and cash equivalents	\$ 430,272	\$ 467,330
	430,272	467,330
Amounts externally restricted for capital purposes	(174,761)	(193,987)
Amounts externally restricted for research and designated purposes	(17,759)	(15,667)
Amounts externally restricted for patient comfort funds	(840)	(752)
Amounts externally restricted for replacement reserves	(836)	(819)
Unrestricted cash and cash equivalents	\$ 236,076	\$ 256,105

Included in cash and cash equivalents is \$339.4 million (2019 - \$380.7 million) held in the Provincial Treasury Central Deposit program.

3. Accounts receivable:

	2020	2019
Other health authorities and BC government reporting entities	\$ 68,123	\$ 55,831
Patients, clients and residents	51,961	34,518
Ministry of Health	20,417	26,818
Foundations and auxiliaries	11,936	25,289
Medical Services Plan	4,073	8,547
Federal government	2,480	3,916
WorkSafeBC	1,998	1,505
Other	21,881	16,538
	182,869	172,962
Allowance for doubtful accounts	(51,410)	(32,911)
	\$ 131,459	\$ 140,051

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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 to assist with certain costs associated with the Redevelopment Project. The unsecured loan bears interest at the Government of BC Central Deposit Rate which was 2.45% until March 5, 2020. In March, the rate dropped 3 times to the March 31, 2020 rate of 0.95%. 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.

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

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, 2020 (3.95% as at March 31, 2019).

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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 \$119.5 million is due to be received over a period of 4 years, as follows: \$25.0 million to be received July 2020; \$25.0 million to be received each July 2021 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 \$113.5 million (2019 - \$127.9 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 (note 25).

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:

	2020	2019
Trade accounts payable and accrued liabilities	\$ 175,820	\$ 150,529
Salaries and benefits payable	111,492	94,865
Accrued vacation pay	78,979	72,832
	<u>\$ 366,291</u>	<u>\$ 318,226</u>

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 "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 recorded as deferred operating revenue and recognized throughout the fiscal year.

	2020	2019
Deferred operating revenue, beginning of year	\$ 3,471	\$ 3,506
Amounts received during the year	1,883	2,472
Amounts recognized as revenue in the year	(2,156)	(2,507)
Deferred operating revenue, end of year	<u>\$ 3,198</u>	<u>\$ 3,471</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

9. Deferred research and designated revenue:

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

	2020	2019
Deferred research and designated revenue, beginning of year	\$ 14,845	\$ 12,447
Amounts received during the year	19,997	20,586
Amounts recognized as revenue in the year	(18,007)	(18,188)
Deferred research and designated revenue, end of year	\$ 16,835	\$ 14,845

10. Obligation under capital lease:

	2020	2019
Building under capital lease obligations, with weighted average interest rate of 5.37% and maturities to 2036	\$ 100,609	\$ 102,821
	\$ 100,609	\$ 102,821

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

2021	\$ 7,756
2022	7,950
2023	8,149
2024	8,353
2025	8,562
Thereafter	113,908
Total minimum lease payments	154,678
Amounts representing interest	(54,069)
	\$ 100,609

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

11. Debt:

	2020	2019
Canada Mortgage and Housing Corporation ("CMHC"), secured by first charges on properties, payable in monthly (blended) payments of \$22,000, including annual interest of 2.18%, maturity date December 2022.	\$ 664	\$ 931
	\$ 664	\$ 931

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

2021	\$	237
2022		242
2023		185
	\$	664

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, 2019 and extrapolated to March 31, 2020 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2020 are derived. The next required valuation will be as of December 31, 2020.

Information about retirement allowance benefits is as follows:

	2020	2019
Accrued benefit obligation:		
Severance benefits	\$ 76,506	\$ 72,927
Sick leave benefits	55,423	52,441
	131,929	125,368
Unamortized actuarial gain	6,387	9,453
Accrued benefit liability	\$ 138,316	\$ 134,821

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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:

	2020	2019
Accrued benefit liability, beginning of year	\$ 134,821	\$ 133,508
Net benefit expense:		
Current service cost	8,360	7,932
Interest expense	4,953	4,938
Amortization of actuarial gain	(1,713)	(1,804)
Net benefit expense	11,600	11,066
Benefits paid	(8,105)	(9,753)
Accrued benefit liability, end of year	\$ 138,316	\$ 134,821

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

	2020	2019
Accrued benefit obligation as at March 31:		
Discount rate	3.79%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	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

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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 liabilities (assets) as of March 31, 2020 are based on the actuarial valuation at December 31, 2019, extrapolated to March 31, 2020. The next expected valuation will be as of December 31, 2020.

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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:

	2020	2019
Fair value of plan assets	\$ 178,594	\$ 155,066
Accrued benefit obligation	(175,325)	(171,318)
Net funded (unfunded) obligation	\$ 3,269	\$ (16,252)
	2020	2019
Long-term disability and health and welfare benefits asset (liability), beginning of year	\$ (16,252)	\$ 3,750
Net benefit expense:		
Long-term disability expense	(18,369)	(17,659)
Actuarial gain/(loss)	5,012	(22,455)
Health and welfare benefit expense	(33,397)	(30,413)
Interest expense	(9,786)	(9,243)
Employee payments	-	1,811
Contributions adjustment	930	433
Ancillary business units expense	3,834	2,181
Expected return on assets	9,181	9,570
Transfer of health and welfare benefits net surplus	2,226	(4,031)
Net benefit expense	(40,369)	(69,806)
Contributions to the plan - VCH	59,890	49,804
Long-term disability and health and welfare benefits asset (liability), end of year	\$ 3,269	\$ (16,252)
Benefits paid to claimants	\$ (61,145)	\$ (59,118)

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2020	2019
Debt securities	39%	40%
Foreign equities	36%	34%
Equity securities and other	25%	26%
Total	100%	100%

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

	2020	2019
Accrued benefit asset as at March 31:		
Discount rate	5.60%	5.80%
Rate of benefit increase	2.00%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.80%
Rate of benefit increase	2.00%	1.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.80%

Actual long-term rate of return on plan assets was 12.40% for the year ended December 31, 2019 (December 31, 2018 – 0.53%).

(ii) During the year, performance within the Authority's Trust pool was \$7.009M better (2019 - \$25.583M worse) than expected contributing to the \$7.378M surplus (2019 - \$20.946M deficit) recognized in the Consolidated Statement of Operations and Accumulated Surplus for the year ended March 31, 2020. Excluding this impact, VCH would have had a surplus of \$0.369M (2019 - \$4.637M surplus).

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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, 2020, the Authority made contributions to these joint benefit trusts totalling \$41.8M (2019 - \$37.2M).

(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 \$100.6 million (2019 - \$91.8 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 205,000 active members, of which 19,240 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 (2019 - \$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 surplus to individual employers. The plan covers approximately 64,000 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, 2020

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:

	2020	2019
Replacement reserves, beginning of year	\$ 819	\$ 790
Provision for replacement reserve funding	43	54
Interest on replacement reserves	9	12
Capital Payment	(35)	(37)
Replacement reserves, end of year	\$ 836	\$ 819

The replacement reserves by facility are as follows:

	2020	2019
Lions Park Senior Citizens Housing	\$ 273	\$ 259
Shorncliffe Intermediate Care ⁽¹⁾	216	216
Kiwanis Intermediate Care ⁽¹⁾	172	172
Cedarview Lodge ⁽¹⁾	92	92
Hilltop House ⁽¹⁾	83	80
	\$ 836	\$ 819

⁽¹⁾ During fiscal year 2016, Kiwanis Intermediate Care mortgage was paid in full, during fiscal year 2018, Cedarview Lodge mortgage was paid in full, during fiscal year 2019, Shorncliffe Intermediate Care mortgage was paid in full, and during fiscal year 2020, Hilltop House 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, 2020

14. Deferred capital contributions:

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

	2020	2019
Deferred capital contributions, beginning of year	\$ 1,366,533	\$ 1,288,652
Capital contributions received:		
Ministry of Health	167,232	115,554
Foundations and auxiliaries	23,617	28,829
Regional hospital districts	41	924
Other	9,623	12,023
	200,513	157,330
	1,567,046	1,445,982
Amortization for the year	(88,520)	(79,449)
Deferred capital contributions, end of year	\$ 1,478,526	\$ 1,366,533

Deferred capital contributions are comprised of the following:

	2020	2019
Contributions used to purchase tangible capital assets	\$ 1,303,765	\$ 1,172,545
Unspent contributions	174,761	193,988
	\$ 1,478,526	\$ 1,366,533

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

15. Tangible capital assets:

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

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

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

VANCOUVER COASTAL HEALTH AUTHORITY

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Year Ended March 31, 2020

15. Tangible capital assets (continued):

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

Net book value	2020	2019
Land	\$ 17,656	\$ 17,656
Buildings	664,412	668,388
Equipment	93,068	90,876
Information systems	23,115	19,700
Leasehold improvements	21,516	18,525
Buildings under capital lease	81,534	83,769
Construction in progress	178,446	129,966
Equipment and information systems in progress	388,025	290,770
	\$ 1,467,772	\$ 1,319,650

Contributed tangible capital assets total \$0.26 million (2019 - \$0.00 million).

Tangible capital assets are funded as follows:

	2020	2019
Deferred capital contributions	\$ 1,303,765	\$ 1,172,545
Debt	101,273	103,752
Internally funded	62,734	43,353
Tangible capital assets	\$ 1,467,772	\$ 1,319,650

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

16. Inventories held for use:

		2020	2019
Pharmaceuticals	\$	11,586	\$ 10,050
Medical supplies		1,460	1,429
	\$	13,046	\$ 11,479

17. Prepaid expenses:

		2020	2019
COVID-19 personal protective equipment supply deposit	\$	43,279	\$ -
Contracted services		19,442	11,740
Maintenance contracts		4,713	4,000
Rent and operating costs		3,063	2,983
Other		3,344	3,453
	\$	73,841	\$ 22,176

18. Commitments and contingencies:

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

As at March 31, 2020, the Authority had outstanding commitments of \$452.35 million (2019 - \$502.2 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:

	Contract Term	2021	2022	2023	2024	2025	Thereafter	Total
Housekeeping	2015 - 2023	\$ 31,189	\$ 31,624	\$ 16,077	\$ -	\$ -	\$ -	\$ 78,890
Laundry	2015 - 2027	14,075	11,940	12,358	12,667	12,984	26,949	90,973
Patient food services	2015 - 2020	6,336	-	-	-	-	-	6,336
Waste management	2015 - 2021	1,140	-	-	-	-	-	1,140
Access Health Vancouver	2015 - 2037	526	855	1,032	1,109	1,058	16,520	21,100
		\$ 53,266	\$ 44,419	\$ 29,467	\$ 13,776	\$ 14,042	\$ 43,469	\$ 198,439

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

18. Commitments and contingencies (continued):

(c) Long-term care contracts:

The Authority has entered into contracts with 31 service providers to provide long-term care services. The aggregate annual commitment for these contracts is \$374.0 million for 2020 (2019 – 31 service providers, \$337.0 million).

(d) Operating leases:

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

2021	\$	39,336
2022		37,311
2023		34,137
2024		32,252
2025		30,226
Thereafter		128,075
	\$	<u>301,337</u>

(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, 2020, 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, 2020

19. Statement of operations:

(a) Other contributions:

	2020	2019
Provincial Health Services Authority	\$ 153,058	\$ 152,850
BC government reporting entities	14,375	14,029
Other	11,331	10,476
	<u>\$ 178,764</u>	<u>\$ 177,355</u>

(b) Patients, clients and residents revenue:

	2020	2019
Non-residents of Canada	\$ 49,658	\$ 43,266
Long-term and extended care	38,053	37,018
Non-residents of BC	25,679	22,234
WorkSafe BC	12,461	10,186
Residents of BC self pay	5,503	4,920
Preferred accommodation	3,591	3,623
Other	10,942	10,394
	<u>\$ 145,887</u>	<u>\$ 131,641</u>

(c) Other revenue:

	2020	2019
Parking	\$ 5,317	\$ 5,688
Other	35,341	34,784
	<u>\$ 40,658</u>	<u>\$ 40,472</u>

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

19. Statement of operations (continued):

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

	2020	2019
Employee related:		
Compensation	\$ 1,441,065	1,340,535
Employee benefits	316,092	277,359
(Gain)/Loss on event driven employee benefits	(7,009)	25,583
	<u>1,750,148</u>	<u>1,643,477</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities (note 21(a))	999,688	902,783
Health and support services providers	661,579	602,952
	<u>1,661,267</u>	<u>1,505,735</u>
Supplies:		
Medical and surgical	120,424	116,408
Drugs and medical gases	79,009	73,053
Diagnostic	25,269	23,709
Printing, stationery and office	4,208	4,129
Laundry and linen	4,077	3,834
Food and dietary	2,602	2,294
Housekeeping	2,513	2,231
Other	25,587	27,308
	<u>263,689</u>	<u>252,966</u>
Amortization of tangible capital assets	91,462	85,329
Equipment and building services:		
Equipment	59,841	56,474
Building and grounds service contracts	27,167	25,017
Rent	23,759	23,157
Plant operations (utilities)	20,613	24,029
Other	11,373	16,466
	<u>142,753</u>	<u>145,143</u>
Sundry:		
Professional fees	17,965	26,462
Communication and data processing	11,447	9,777
Travel	8,286	7,155
Patient transport	6,072	5,723
Other	38,951	25,542
	<u>82,721</u>	<u>74,659</u>
Research	18,004	18,188
Interest on debt and capital leases	5,375	5,488
	<u>\$ 4,015,419</u>	<u>\$ 3,730,985</u>

VANCOUVER COASTAL HEALTH AUTHORITY

Notes to Financial Statements

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

20. Supplementary cash flow information:

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

	2020	2019
Accounts receivable	\$ 8,592	\$ (27,072)
Pearson receivable	(3,017)	(3,384)
Accounts payable and accrued liabilities	48,065	24,842
Deferred operating revenue	(273)	(35)
Deferred research and designated revenue	1,990	2,398
Replacement reserves	17	29
Inventories held for sale	(30)	-
Inventories held for use	(1,567)	(999)
Prepaid expenses	(51,665)	(232)
	\$ 2,112	\$ (4,453)

(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.

	2020	2019
Acquisition of tangible capital assets	\$ 239,584	\$ 173,218
Disposal of tangible capital assets	(120)	(61,794)
	\$ 239,464	\$ 111,424

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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 \$64.6 million (2019 - \$49.3 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 surplus and accumulated deficit of PHC is \$2.6 million (2019 – \$(9.6) million), and \$(92.4) million (2019 - \$(95.1) million), respectively.

VANCOUVER COASTAL HEALTH AUTHORITY

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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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, demand loan 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 \$339.4 million (2019 - \$380.7 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, 2020, the amount of allowance for doubtful accounts was \$51.4 million (2019 - \$32.9 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 issue a demand loan payment at any time with written notice to PHC for the original demand loan.

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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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

22. Risk management (continued):

(b) Liquidity risk (continued):

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

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
	\$ 622,738	\$ 90,949	\$ 4,611	\$ 718,298

2020 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
	\$ 369,053	\$ 14,112	\$ 84,399	\$ 467,564

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
	\$ 655,567	\$ 113,450	\$ -	\$ 769,017

2019 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
	\$ 320,705	\$ 12,866	\$ 88,407	\$ 421,978

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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(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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, 2020 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 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, 2020, VCH has capitalized \$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

(tabular amounts expressed in thousands of dollars)

Year Ended March 31, 2020

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. The transfer is expected to be cost neutral.

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.

To date, staff from Bayshore Home Health (150 staff, November 2019), ParaMed (280 staff, January 2020) and SE Health (380 staff, February 2020) have transitioned to VCH along with 2,130 clients. The transfer of an additional 760 staff and 2,400 clients from Greater Vancouver Community Services Society (GVCSS) was to occur in April 2020. However, due to the current Covid19 outbreak, this remaining transfer has been deferred to September 2020.

25. Subsequent event:

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. As a result of the revised payment dates, the carrying amount of the Pearson loan receivable (note 6) decreased at the date of the amending agreement by \$2.2 million.

26. Significant event:

In March 2020, the World Health Organization declared a global pandemic related to the disease known as COVID-19 for which the impacts are expected to be far reaching. The health authorities in BC are continuing to respond to COVID-19 by creating capacity in the system to handle the crisis. The potential impacts to the Authority are being assessed, but the nature and amount is still to be determined.

27. Comparative figures:

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