

Financial Statements of

**ST. JOSEPH'S GENERAL HOSPITAL**

Year ended March 31, 2018

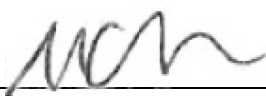
## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with the financial reporting framework specified in Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and Treasury Board Regulation 198/2011. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Hospital. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for appointment of the Hospital's external auditors.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.



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Michael Aikins  
*Chief Administrative Officer*



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Katja Waldman  
*Director of Finance and IT*

June 29, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of St. Joseph's General Hospital and the Minister of Health

We have audited the accompanying financial statements of St. Joseph's General Hospital, which comprise the statement of financial position as at March 31, 2018, the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements of St. Joseph's General Hospital as at March 31, 2018, and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to note 1(a) to the financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada  
June 29, 2018

# ST. JOSEPH'S GENERAL HOSPITAL

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents	\$ 5,253,273	\$ 4,812,766
Accounts receivable (note 2)	269,179	4,781,232
	<u>5,522,452</u>	<u>9,593,998</u>
<b>Financial liabilities</b>		
Accounts payable (note 3)	381,201	1,949,087
Accrued wages and benefits	384,354	3,256,041
Accrued vacation	305,132	2,512,380
Deferred operating revenue	73,828	350,994
Retirement allowance (note 4)	801,757	6,517,778
Deferred capital contributions (note 6)	16,921,990	24,442,729
	<u>18,868,262</u>	<u>39,029,009</u>
Net debt	<u>(13,345,810)</u>	<u>(29,435,011)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 7)	12,894,384	21,175,468
Inventories held for use (note 8)	10,454	2,431,375
Prepaid expenses	13,834	360,918
	<u>12,918,672</u>	<u>23,967,761</u>
<b>Accumulated deficit (note 9)</b>	<u>\$ (427,138)</u>	<u>\$ (5,467,250)</u>

Contingencies and commitments (note 10)  
Subsequent events (note 19)

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

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# ST. JOSEPH'S GENERAL HOSPITAL

## Statement of Operations and Accumulated Deficit

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 16)	2018	2017
<b>Revenue:</b>			
Acute (note 13)	\$ 40,628,714	\$ 44,337,057	\$ 81,638,028
Residential:			
Island Health:			
Contributions and grants	7,886,355	7,711,978	8,110,644
Sales and recoveries	-	6,084	-
Sales and recoveries	371,750	465,204	362,871
Patients, clients and residents	2,429,570	2,582,932	2,401,504
Deferred capital contributions (note 6):			
Amortization	2,653,379	2,961,103	2,683,550
Recognized on disposal of tangible capital assets	-	-	36,101
Investment income	-	17,577	27,953
	53,969,768	58,081,935	95,260,651
<b>Expenses (note 12):</b>			
Acute	39,668,382	43,229,381	75,666,749
Corporate (note 1(l))	1,611,794	1,476,324	3,478,807
Mental health and substance use	1,953,088	1,914,775	4,826,254
Residential care	10,736,504	12,435,209	11,255,729
	53,969,768	59,055,689	95,227,539
Annual surplus (deficit) before the undernoted	-	(973,754)	33,112
Write-down of tangible capital assets (note 7)	-	(1,698,531)	-
Deferred capital contributions recognized due to write-down of tangible capital assets	-	1,698,531	-
Gain on restructuring of acute care (note 15)	-	6,013,866	-
Annual surplus	-	5,040,112	33,112
Accumulated deficit, beginning of year	(5,467,250)	(5,467,250)	(5,500,362)
Accumulated deficit, end of year	\$ (5,467,250)	\$ (427,138)	\$ (5,467,250)

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

# ST. JOSEPH'S GENERAL HOSPITAL

## Statement of Changes in Net Debt

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 16)	2018	2017
Annual surplus	\$ -	\$ 5,040,112	\$ 33,112
Acquisition of tangible capital assets	-	(76,155)	(389,067)
Amortization of tangible capital assets	2,653,379	2,961,103	2,669,201
Tangible capital assets transferred to Island Health	-	3,697,605	-
Write-down of tangible capital assets	-	1,698,531	-
Disposal of tangible capital assets	-	-	98,294
Net change in prepaid expenses	-	347,084	(73,337)
Net change in inventories held for use	-	2,420,921	(73,823)
Decrease in net debt	2,653,379	16,089,201	2,264,380
Net debt, beginning of year	(29,435,011)	(29,435,011)	(31,699,391)
Net debt, end of year	\$ (26,781,632)	\$ (13,345,810)	\$ (29,435,011)

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

# ST. JOSEPH'S GENERAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 5,040,112	\$ 33,112
Items not involving cash:		
Amortization of tangible capital assets	2,961,103	2,669,201
Amortization of deferred capital contributions	(2,961,103)	(2,683,550)
Gain on restructuring of acute care	(6,013,866)	-
Loss on disposal of tangible capital assets	1,698,531	36,101
Capital contributions recognized on disposal	(1,698,531)	(36,101)
Retirement allowance expense	281,000	571,000
Cash received from Island Health on restructuring	1,067,585	-
Changes in non-cash operating working capital:		
Accounts receivable	3,827,413	1,710,338
Inventories held for use	464,423	(73,823)
Prepaid expenses	347,084	(73,337)
Accounts payable and accrued liabilities	(4,320,628)	(1,081,945)
Deferred operating contributions	(277,166)	342,048
	415,957	1,413,044
Capital activities:		
Purchase of tangible capital assets	(76,155)	(389,067)
	(76,155)	(389,067)
Financing activities:		
Retirement allowance benefits paid	(735,795)	(419,799)
Deferred capital contributions received	836,500	482,113
	100,705	62,314
Increase in cash and cash equivalents	440,507	1,086,291
Cash and cash equivalents, beginning of year	4,812,766	3,726,475
Cash and cash equivalents, end of year	\$ 5,253,273	\$ 4,812,766

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



# ST. JOSEPH'S GENERAL HOSPITAL

## Notes to Financial Statements

Year ended March 31, 2018

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St. Joseph's General Hospital (the "Hospital") is a denominational hospital wholly owned by the Bishop of Victoria, a Corporation Sole, which provides healthcare and various other medical services to both long and short term patients. The Hospital is a strategic partner with Vancouver Island Health Authority ("VIHA" or "Island Health"). The formal relationship is delineated within an affiliation agreement signed by the respective partners on January 14, 2004. The affiliation agreement establishes accountability provisions, operating principles, funding guidelines, dispute mechanism, and termination rights between the Hospital and Island Health. On October 1, 2017, the acute care services provided by the Hospital transitioned to a new hospital in the Comox Valley owned and operated by Island Health. See note 15.

The Hospital is registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a registered charitable organization under the Act, the Hospital must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 1. Significant accounting policies:

#### (a) Basis of accounting:

The financial statements are prepared by management in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia 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 follow Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PSAS ("PS") 4200 series elections available for government not-for-profit organizations.

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 (referred to as deferred capital contributions) are recorded 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 period during which the tangible capital asset is used to provide services.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (a) Basis of accounting (continued):

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

For British Columbia 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 Canadian public sector accounting standards which require 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; and
- 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.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

### (b) Revenue recognition:

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.

Operating government grants (including amounts received from Island Health, Provincial Health Services Authority and other government sources) with or without eligibility criteria stipulations are recognized when received or receivable. Government grants, containing stipulations as to their use, are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation and meets the definition of a liability.

Patients, clients and residents revenues and sales and recoveries revenues are recognized when the service is provided or the product has been delivered 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).

Unrestricted donations and grants are recorded as other contributions when receivable if the amounts can be estimated and collection is reasonably assured.

Investment income includes interest recorded on an accrual basis.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

Donations-in-kind and contributed materials are only recorded if the Hospital would otherwise have paid for them. Donations-in-kind are recorded at fair market value on the date of the donation.

Volunteers contribute a significant amount of their time each year to assist the Hospital 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.

### (c) Retirement allowance:

The Hospital and its employees make contributions to a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plan are not segregated by institution, the plan is accounted for as a defined contribution plan whereby contributions of the Hospital to the plan are expensed as incurred.

Sick leave benefits and retirement severance benefits are also available to the Hospital's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service life of the employees.

### (d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Tangible capital assets:

Tangible capital asset acquisitions are initially recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Costs include overhead directly attributable to construction and development. Amortization of tangible capital assets is recorded on a straight line basis over the estimated useful life of the asset, commencing in the period that the Hospital takes ownership of the asset. No amortization is provided on construction in progress until the project is completed and the asset is available for productive use.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Tangible capital assets are amortized over the following estimated useful lives:

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Building	5 - 40 years
Equipment	1 - 10 years
Land improvements	10 years

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Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital'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. 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 Hospital's rate for incremental borrowing or the interest rate implicit in the lease.

(iii) Inventories held for use:

Inventories of materials and supplies are recorded at the lower of weighted average cost and replacement cost. Certain specific inventory items are acquired on consignment and are not included in inventory.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (e) Foreign currency translation:

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities in a foreign currency are translated using the exchange rates at the statement of financial position date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the statement of remeasurement gains and losses. In the period of settlement, the related cumulative remeasurement gain or loss is reversed in the statement of remeasurement gains and losses and the exchange gain or loss in relation to the exchange rate at the date of the item's initial recognition is recognized in the statement of operations.

### (f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of useful lives for amortization of tangible capital assets, estimates of accounts receivable collectability and allowance for doubtful accounts, and the actuarial assumptions for retirement allowances. Actual results could differ from management's best estimates as additional information becomes available in future years. As adjustments to estimates become necessary they are reported in earnings in the period in which they become known.

### (g) 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. 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.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (g) Financial instruments (continued):

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 Hospital's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

### (h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been prepared as it would not present any significant transactions.

### (i) Basis of consolidation:

The Hospital has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Hospital and/or provide services under contracts. As the Hospital does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (see note 11).

### (j) 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.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

### (k) Asset retirement obligations:

The Hospital recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset. The liability is accreted to reflect the passage of time. At each reporting date, the Hospital reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset. As at March 31, 2018, the Hospital did not have any significant asset retirement obligations.

### (l) Allocation of expenses:

Operating expenses are reported by function and object. Corporate expenses are allocated to the residential care function based on the function's proportionate share of administration, human resources, finance, information technology and telecommunication costs. Corporate expenses have not been allocated to either of the acute or mental health and substance use functions.

### (m) Restructuring:

The Hospital adopted PS 3430, *Restructuring Transactions* in the fiscal year beginning on April 1, 2016 to account for the transfer of assets and liabilities related to the acute care services provided at the Hospital to Island Health's new hospital in the Comox Valley on October 1, 2017.

PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be presented as a separate revenue or an expense item in the consolidated statement of operations;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at a restructuring date;

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

(m) Restructuring (continued):

- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

(n) New accounting standards:

- (i) PS 2200, *Related Party Disclosures* defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the consolidated financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. See notes 11 and 15.
- (ii) PS 3420, *Inter-entity Transactions* establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:
- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
  - Transactions are measured at the carrying amount, except in specific circumstances;
  - A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
  - The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. See notes 11 and 15.

- (iii) PS 3210, *Assets* provides guidance for applying the definition of assets set out in PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided. PS 3210 applies to fiscal years beginning on or after April 1, 2017. Management has determined that there is no impact of adoption of PS 3210 on the financial statements of the Hospital.



# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 1. Significant accounting policies (continued):

(n) New accounting standards (continued):

- (iv) PS 3320, *Contingent Assets* defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely. PS 3320 applies to fiscal years beginning on or after April 1, 2017. Management has determined that there is no impact of adoption of PS 3210 on the financial statements of the Hospital.
- (v) PS 3380, *Contractual Rights* defines and establishes disclosure standards for contractual rights. Contractual rights are rights to resources arising from contracts or agreements that will result in both an asset and revenue in the future. Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right. Disclosure of information about contractual rights is required including a description of their nature and extent, and the timing. PS 3380 applies to fiscal years beginning on or after April 1, 2017. See note 10(d).

## 2. Accounts receivable:

	2018	2017
Island Health	\$ 169,989	\$ 3,749,920
Medical Services Plan	-	1,614
Other	99,190	1,029,698
	<u>\$ 269,179</u>	<u>\$ 4,781,232</u>

## 3. Accounts payable:

	2018	2017
Trade payables	\$ 276,979	\$ 1,754,663
Capital payables	-	110,424
Other	104,222	84,000
	<u>\$ 381,201</u>	<u>\$ 1,949,087</u>

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 4. Retirement allowance:

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

The Hospital's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2017, and extrapolated to March 31, 2018, from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2018, are derived. The next required valuation will be as of December 31, 2018.

Information about retirement allowance benefits is as follows:

	2018	2017
Accrued benefit obligation:		
Severance benefits	\$ 418,000	\$ 3,266,000
Sick leave benefits	250,000	2,326,000
	<u>668,000</u>	<u>5,592,000</u>
Unamortized actuarial gain	133,757	925,778
Accrued benefit liability	<u>\$ 801,757</u>	<u>\$ 6,517,778</u>

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

	2018	2017
Accrued benefit liability, beginning of year	\$ 6,517,778	\$ 6,366,577
Current service cost	223,000	408,000
Amortization of actuarial gain	(65,000)	(70,000)
Interest expense	123,000	233,000
Net benefit expense	<u>281,000</u>	<u>571,000</u>
Transfer of liabilities to Island Health (note 15)	(5,261,226)	-
Benefits paid	(735,795)	(419,799)
Accrued benefit liability, end of year	<u>\$ 801,757</u>	<u>\$ 6,517,778</u>

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 4. Retirement allowance (continued):

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

	2018	2017
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

A portion of the sick and severance liability has not been funded by the Ministry as further described in note 9.

## 5. Employee benefits:

### (a) Employee healthcare 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 Hospital and other provincially funded organizations. The Hospital's share of the net trust position is not reflected in these financial statements.

Contributions to the Trust of \$2,745,849 (2017 - \$4,199,139) were expensed during the year.

### (b) Employee pension benefits:

The Hospital and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. A board of trustees, representing Plan members and employees, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 193,000 active members and approximately 90,000 retired members.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

Employer contributions to the Plan of \$2,264,476 (2017 - \$3,975,197) were expensed during the year.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Included in deferred capital contributions is a lump sum payment of \$4,000,000 received from Island Health as part of the Asset Transfer Agreement in respect of demolition costs of the acute facilities.

	2018	2017
Deferred capital contributions, beginning of year	\$ 24,442,729	\$ 23,542,460
Capital contributions received:		
Island Health	826,901	3,267,394
Comox Valley Regional Hospital District	17,933	170,307
Comox Valley Healthcare Foundation	31,321	239,260
St. Joseph's General Hospital Auxiliary	-	5,152
Interest from invested deferred contribution	27,606	-
	903,761	3,682,113
	25,346,490	27,224,573
Amounts realized due to disposal or write-down	(1,698,531)	(36,101)
Contributions recognized as operating	(67,261)	(62,193)
Amortization for the year	(2,961,103)	(2,683,550)
Assets transferred to Island Health (note 15)	(3,697,605)	-
Deferred capital contributions, end of year	\$ 16,921,990	\$ 24,442,729

Deferred capital contributions are comprised of the following:

	2018	2017
Contributions used to purchase tangible capital assets	\$ 12,894,384	\$ 21,169,836
Unspent contributions	4,027,606	3,272,893
	\$ 16,921,990	\$ 24,442,729

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 7. Tangible capital assets:

Cost	Balance March 31, 2017	Additions	Disposals	Transfers	Balance March 31, 2018
Land	\$ 14,045	\$ -	\$ -	\$ -	\$ 14,045
Land improvements	1,056,344	-	(1,056,344)	-	-
Buildings	37,438,746	-	(493,343)	24,968	36,970,371
Leasehold improvements	52,930	-	(52,930)	-	-
Equipment	34,855,735	69,517	(27,684,146)	-	7,241,106
Construction projects in progress	71,970	6,638	-	(24,968)	53,640
	\$73,489,770	\$ 76,155	\$(29,286,763)	\$ -	\$44,279,162

Accumulated amortization	2017	Additions	Disposals	Transfers	2018
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	753,312	62,269	(815,581)	-	-
Buildings	24,125,032	1,669,267	(204,943)	-	25,589,356
Leasehold improvements	7,329	1,140	(8,469)	-	-
Equipment	27,428,629	1,228,427	(22,861,634)	-	5,795,422
	\$52,314,302	\$ 2,961,103	\$(23,890,627)	\$ -	\$31,384,778

Net book value	2017	2018
Land	\$ 14,045	\$ 14,045
Land improvements	303,032	-
Buildings	13,313,714	11,381,015
Leasehold improvements	45,601	-
Equipment	7,427,106	1,445,684
Construction projects in progress	71,970	53,640
Total	\$ 21,175,468	\$ 12,894,384

Subsequent to the restructuring of acute care, the Hospital determined that \$1,698,531 (net book value) of tangible capital assets formerly used in acute care that were not transferred to Island Health no longer contributed to the Hospital's ability to provide services and wrote-off those amounts. Additionally, the estimated useful life of the remaining assets associated with acute care services not transferred to Island Health was changed to 5 years or less to reflect the limited remaining service potential prior to demolition of the acute care facility. The change is considered a change in estimate and accounted for prospectively as of October 1, 2017, and resulted in an increase in amortization of \$1,042,106 during the year. The write-down and increase in amortization were equally offset by recognition of deferred capital contributions in the year of \$2,740,637.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 7. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2018	2017
Deferred capital contributions	\$ 12,894,384	\$ 21,169,836
Internally funded	-	5,632
	\$ 12,894,384	\$ 21,175,468

## 8. Inventories held for use:

	2018	2017
General supplies	\$ -	\$ 936,587
Drugs	-	1,133,574
Lab supplies	-	312,524
Food supplies	-	28,870
Other	10,454	19,820
	\$ 10,454	\$ 2,431,375

Details of amounts of inventory expensed are provided in note 12 in the supplies category.

The Hospital held inventory on consignment for joint surgeries, prosthesis and other specific surgical procedures. Consignment inventory is not recorded in the Hospital's books. The value of the inventory on hand and the related liability at March 31, 2018 is nil (2017 - \$1,703,987).

## 9. Accumulated deficit:

Accumulated deficit is comprised of the following accounts:

	2018	2017
Operating surplus (deficit)	\$ 2,407	\$ (1,893,340)
Invested in capital assets	-	5,632
Unfunded deficit from operations	(429,545)	(3,579,542)
	\$ (427,138)	\$ (5,467,250)

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 9. Accumulated deficit (continued):

Investment in tangible capital assets is calculated as follows:

	2018	2017
Tangible capital assets	\$ 12,894,384	\$ 21,175,468
Deferred capital contributions	(12,894,384)	(21,169,836)
	\$ -	\$ 5,632

Unfunded deficit from operations:

Balance of \$429,545 is comprised as follows:

Unfunded increase in liabilities resulting from 1989 change

Directed by the Ministry of Health:

Accrued vacation pay	\$ 521,477
Accrued retirement allowance	667,238

Unfunded increase in liabilities relating to retirement allowance

April 1, 1999 retroactive adjustment in retirement allowance 1,502,925

Accumulated unfunded portion of retirement allowance expense:

Fiscal year ended March 31, 2000	166,495
Fiscal year ended March 31, 2001	167,878
Fiscal year ended March 31, 2011	518,771
Fiscal year ended March 31, 2012	34,758

Transferred to Island Health October 1, 2017 (3,149,997)

**Total unfunded deficit from operations \$ 429,545**

The Hospital has recorded these expenses/liabilities in accordance with specific instructions/approval of the Ministry of Health. Government funding of these prior year items, however, was provided on a cash basis, instead of an accrual basis - so these items remain unfunded.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 10. Contingencies and commitments:

(a) Guarantee - Cumberland Regional Hospital Laundry Society:

The Hospital and two other hospitals formed the Cumberland Regional Hospital Laundry Society (the "Society") in 1995 to purchase laundry facilities to service the three hospitals. Each of the three hospitals guaranteed its share of the long-term debt incurred by the Society in connection with its purchase of the laundry facilities. The Hospital's management expects the Society to fully service its debt from its operations revenue as derived from laundry service agreements with each of the hospitals.

Effective October 1, 2017, the Hospital withdrew as a member of the Society and was released from any terms and conditions related to the guarantee of the Society's debt.

(b) Operating leases:

In September 2013, the Hospital entered into two operating leases with Olympus Canada Inc. for equipment. The contract terms are 60 months ending September 19, 2018. The leases are included in assumed contracts in the Asset Transfer Agreement and assumed by Island Health on the transfer date.

(c) Litigation and claims:

The nature of the Hospital's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2018, management is of the opinion that the Hospital has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Hospital'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. Accruals are made when a liability is likely and can be reliably measured.

(d) Acute care related costs subsequent to the transfer date:

Island Health has agreed to reimburse the Hospital for transition costs as defined in the Asset Transfer Agreement incurred following the transfer date that have not otherwise been paid for or reimbursed by the Island Health through other funding sources including through the cash reconciliation process. Non-recurring transition costs as well as ongoing maintenance of the vacant facilities and specified negotiated severance and benefits payments will be included in these subsequent costs as outlined in the Asset Transfer Agreement.



# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 11. Related party transactions:

The Hospital is related to the entities described below. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### (a) Comox Valley Healthcare Foundation:

The Hospital is related to the Comox Valley Healthcare Foundation (the "Foundation") by way of common board members. As the Hospital does not control the Foundation, it has not been consolidated into the Hospital's financial statements. The Foundation is a not-for-profit organization and a registered charity under the Income Tax Act. The Foundation was created to raise funds in the community for the purpose of furthering the interests and objectives of the Hospital and healthcare in the Comox Valley area.

At March 31, 2018, accounts receivable included \$7,657 (2017 - nil) due from the Foundation. Deferred capital contributions includes \$31,321 (2017 - \$239,260) of current year contributions from the Foundation. The Hospital provides accounting and human resource services to the Foundation on a cost recovery basis. During the fiscal year, the amount charged to the Foundation totaled \$5,000 (2017- nil).

### (b) Cumberland Regional Hospital Laundry Society:

The Hospital has entered into a laundry service agreement obligating the Hospital to use the Society for principally all of its laundry and related services. All transactions between the Hospital and the Society are recorded at their exchange amount at the time of transaction. During the fiscal year, the Hospital paid \$653,825 (2017 - \$906,289) to the Society for laundry and related services. The Hospital charged the Society for administration and payroll services, which totaled \$10,159 (2017 - \$23,650) and also passed on service charges incurred for computer and telephone expenses. At March 31, 2018, accounts receivable included \$ nil (2017 - \$56) and accounts payable included \$10,892 (2017 - \$102,701) owing to the Society.

### (c) Auxiliary Society for Comox Valley Healthcare:

The Auxiliary Society for Comox Valley Healthcare (formerly the St. Joseph's General Hospital Auxiliary Society) (the "Auxiliary") is a related party to the Hospital as its sole purpose was to raise funding for the Hospital. Prior to the restructuring of acute care, the Hospital provided space to the Society to operate a gift shop and thrift store. The Auxiliary is a not-for-profit organization and a registered charity under the Income Tax Act.

At March 31, 2018 accounts receivable included \$5,161 (2017 - \$5,267) due from the Auxiliary. During the year, donations totaling \$54,246 (2017 - \$173,760) were paid to the Hospital by the Auxiliary. Deferred capital contributions includes nil (2017 - \$5,152) of current year contributions from the Auxiliary. Transfers of assets are recorded at their carrying amount at the time of donation.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 12. Statement of operations:

The following is a summary of expenses by object:

	2018	2017
Compensation and benefits:		
Employee wages	\$ 29,991,850	\$ 47,364,748
Employee benefits (includes sick and severance)	8,438,293	13,416,778
Purchased services - personnel	681,065	784,071
Purchased services - physicians	3,701,934	7,573,513
Supplies:		
Drugs and medical gases	4,331,252	6,927,357
Medical and surgical	3,201,578	6,538,966
Diagnostic	896,100	1,475,981
Printing, stationery and office	129,333	307,200
Food and dietary	738,059	1,030,840
Laundry and linen	227,696	397,725
Housekeeping	111,652	159,129
Other	225,353	322,094
Equipment and building services:		
Equipment	945,366	1,814,350
Building and ground	26,797	46,581
Plant operation (utilities)	637,276	781,913
Rent	25,436	54,020
Maintenance	181,858	342,862
Sundry:		
Professional fees	339,650	416,143
Travel	75,928	131,840
Communication and data processing	89,691	95,663
Other	258,731	463,000
Amortization of tangible capital assets	2,961,103	2,669,201
Loss on disposal of tangible capital assets	-	36,101
Contracted services	839,688	2,077,463
	<u>\$ 59,055,689</u>	<u>\$ 95,227,539</u>

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 13. Acute care revenue:

	2018	2017
Island Health:		
Contributions and grants	\$ 29,804,581	\$ 57,779,445
Sales and recoveries	3,947,946	4,115,929
Provincial Health Services Authority	3,449,564	5,482,755
Medical Services Plan	4,116,026	8,426,838
Sales and recoveries	2,273,828	4,454,469
Patients, clients and residents	677,313	1,232,608
Pharmacare	67,799	145,984
	<hr/>	<hr/>
	\$ 44,337,057	\$ 81,638,028

The 2017 Island Health contributions and grants were allocated to acute and residential revenues using an allocation methodology based on each function's proportionate share of actual operating expenses.

## 14. Economic dependence:

A substantial portion of the Hospital's revenue is received from Island Health on behalf of services provided for the Provincial Government's Ministry of Health Services in accordance with the Hospital Act. Accordingly, the Hospital is economically dependent on Island Health to provide the funding needed to maintain its operations and to help fund a portion of capital expenditures made by the Hospital.

## 15. Restructuring of acute care:

On October 1, 2017 (the "transfer date"), Island Health commenced the provision of acute care services at the New Comox Valley Hospital, owned by Island Health. As of the transfer date, the Hospital ceased the provision of acute care services. The remaining healthcare services provided by the Hospital are hospice care services and long-term residential care services.

The Asset Transfer Agreement sets out which financial assets, non-financial assets, financial liabilities and accumulated deficits were transferred to Island Health as a result of the restructuring transaction, and the basis of accounting for the transferred amounts.

Key provisions from the Asset Transfer Agreement related to the segregation of the Hospital's assets, liabilities and accumulated deficits are as follows:

(a) Cash and cash equivalents:

The cash transferred to (from) Island Health was calculated based on the cash reconciliation formula in Schedule 1 of the Asset Transfer Agreement. See below for the cash reconciliation.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 15. Restructuring of acute care (continued):

(b) Accounts receivable:

Accounts receivable in connection with acute care services were assumed by Island Health on the transfer date.

(c) Accounts payable:

Accounts payable as at September 30, 2017 were paid out by the Hospital and were not assumed by Island Health.

(d) Accrued wages and benefits:

Accrued wages and benefits as at September 30, 2017 were paid out by the Hospital and were not assumed by Island Health.

(e) Accrued vacation and overtime:

Accrued vacation and overtime payable for transferring employees were assumed by Island Health at the transfer date.

(f) Retirement allowance:

Retirement allowance consisting of accrued retirement sick and severance payable, based on an actuarial valuation for remaining employees was assumed by Island Health at the transfer date.

(g) Deferred capital contributions:

Deferred capital contributions for the assumed tangible capital assets related to acute care services were assumed by Island Health at the transfer date.

(h) Tangible capital assets:

Island Health assumed all equipment (including certain information technology hardware and software) used in connection with acute care services on the transfer date. Equipment includes all moveable equipment and furnishings used in connection with the provision of acute care services and not used in connection with long-term residential care services and hospice care services that Island Health determined, at its sole discretion, was useful and could be transferred to the New Comox Valley Hospital or any other Island Health site. The assumed information technology hardware did not include any assets that are needed to provide IT infrastructure to support the provision of long-term residential care services or hospice care services.

(i) Inventories held for use:

Inventories held for use in connection with acute care services were assumed by Island Health at the transfer date.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

## 15. Restructuring of acute care (continued):

(j) Accumulated deficit:

Island Health assumed the Hospital's accumulated operating deficit to September 30, 2017 and the unfunded deficit from operations, including unfunded liabilities from accrued vacation and retirement allowances based on past actuarial valuations for the portion attributable to the acute care services. The portion of the unfunded deficit attributed to acute care services was calculated at 88% of the total deficit. See note 9.

The cash reconciliation resulted in a cash payment from Island Health to the Hospital due at the Transfer date calculated as follows:

	Cash due from (to) Island Health
Assigned accounts receivable	\$ 2,603,410
Inventory	1,956,498
Accrued vacation & overtime payable	(2,326,193)
Retirement allowance	(5,261,226)
Accumulated operating deficit	2,863,869
Allowable unfunded deficit	3,149,997
<b>Total cash due to the Hospital from Island Health</b>	<b>\$ 2,986,355</b>

Subsequent to the transfer date (until January 4, 2018), \$1,918,770 in accounts receivables payments were received directly by the Hospital reducing the total outstanding cash amount due from Island Health to \$1,067,585. As a result, the actual cash paid from Island Health to the Hospital on January 11, 2018 was \$1,067,585. The cash reconciliation pertains solely to the specific assets and liabilities identified in the Asset Transfer Agreement which were transferred on October 1, 2017 and does not include any subsequent transitional or severance costs which are reimbursable by Island Health per the Asset Transfer Agreement.

Following is a reconciliation of the assets and liabilities transferred to Island Health on October 1, 2017 that resulted in the restructuring gain of \$6,013,866 on the statement of operations and accumulated deficit:

	Amounts transferred to Island Health
Cash	\$ (2,986,355)
Assigned accounts receivable	2,603,410
Inventory	1,956,498
Tangible capital assets	3,697,605
Accrued vacation & overtime payable	(2,326,193)
Retirement allowance	(5,261,226)
Deferred capital contributions	(3,697,605)
<b>Restructuring gain</b>	<b>\$ 6,013,866</b>

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 15. Restructuring of acute care (continued):

The restructuring gain consists of:

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Accumulated operating deficit of acute care as at September 30, 2017	\$ 2,863,869
Allowable unfunded deficit related to acute care (note 9)	3,149,997
	<hr/>
	\$ 6,013,866

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Restructuring related costs incurred during the year of \$2,266,892 (2017 - \$414,684, 2016 - \$107,051) are included in acute care expenses. The costs include professional fees, supplies, information technology and staff costs incurred in planning and implementing the transition of acute care.

## 16. Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the 2017-2018 budget which was provisionally approved by the Board of Directors of the Hospital on May 4, 2017 subject to confirmation of funding from Island Health. The funding letter was received on June 22, 2017. The budget is reflected in the Statement of Operations and Accumulated Deficit and the Statement of Changes in Net Debt.

A reconciliation of the Board approved budget to the amount presented on the Statement of Operations is presented below:

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Revenues and expenses per May 4, 2017 Board approved provisional budget	\$ 51,483,080
Amortization of tangible capital assets/deferred capital contributions	2,653,379
Adjustments related to final acute transfer date	(166,691)
	<hr/>
Budget figures presented in Statement of Operations	\$ 53,969,768

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## 17. Financial instruments:

### *Risk Management Policy*

The Hospital has potential exposure to credit risk, liquidity risk, foreign exchange risk and interest rate risk from the entity's financial instruments through the normal course of operation. Qualitative and quantitative analysis of the significant risks from the Hospital's financial instruments is provided below.

All significant financial assets and financial liabilities of the Hospital are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## 17. Financial instruments (continued):

These risks are managed through the Hospital's collection procedures and other internal policies and procedures.

### (a) Foreign currency risk:

The Hospital's operating results and financial position are reported in Canadian dollars. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hospital does not hold significant funds in U.S. dollars in order to reduce the risk of adverse movements in foreign exchange rates.

The Hospital maintained a U.S. currency bank account and enters into a limited number of transactions with vendors for supplies denominated in U.S. currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations.

As at March 31, 2018, the following items are denominated in U.S. currency:

	2018	2017
Cash converted to Canadian dollars	\$ -	\$ 3,783

### (b) Credit risk:

Financial instruments that potentially subject the Hospital to concentrations of credit include accounts receivable. Accounts receivable primarily consist of amounts receivable from the Ministry of Health, Vancouver Island Health Authority and BC government reporting entities, patients, clients and agencies, hospital foundation and auxiliary, grantors etc. To reduce the risk, the Hospital 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, 2018, the amount of allowance for doubtful receivables was nil (2017 - \$16,222), as these accounts receivable are deemed by management not to be collectible. The Hospital historically has not had difficulty collecting receivables, nor have counterparties defaulted on any payments. The maximum credit risk exposure is \$99,190 (2017 - \$1,047,534).

### (c) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Hospital is not exposed to significant interest rate risk.

# ST. JOSEPH'S GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2018

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## **17. Financial instruments (continued):**

### (d) Liquidity risk:

Liquidity risk is the risk that the Hospital will encounter difficulty in meeting obligations associated with financial liabilities. The Hospital enters into transactions to purchase goods and services and lease equipment, for which payments are required at various dates. Liquidity risk is measured by reviewing the Hospital's future net cash flows for the possibility of a negative net cash flow. Differences do exist in the timing between the receipts of funding and the payment of various expenditures.

## **18. Comparative information:**

Certain comparative information has been reclassified to conform to the presentation adopted in the current year.

## **19. Subsequent events:**

The Bishop of Victoria and Providence Residential and Community Care Services Society ("PRCC"), a society created pursuant to the Societies Act (British Columbia), are negotiating the terms of an Asset Transfer Agreement. The parties have an agreement in principle, however, the final agreement requires Ministry of Health approval. The Asset Transfer Agreement is anticipated to be executed in October 2018.