

Financial Statements of

**INTERIOR HEALTH AUTHORITY**

Year ended March 31, 2020



## Statement of Management Responsibility

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

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

The external auditors, the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. The external auditors have full and free access to the Audit and Finance Committee of the Board and meet with it on a regular basis.

On behalf of Interior Health Authority

Susan Brown,  
Chief Executive Officer

Sylvia Weir,  
Chief Financial Officer

June 22, 2020



## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of the Interior Health Authority, and  
To the Minister of Health, Province of British Columbia*

### ***Qualified Opinion***

I have audited the accompanying financial statements of the *Interior Health Authority* (“the entity”), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net debt, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2020, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

### ***Basis for Qualified Opinion***

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 1(a) to the Financial Statements, the entity’s accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity’s method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such, the entity’s method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had the entity made an adjustment for this departure in the current year, the liability for deferred revenue as at March 31, 2020 would have been lower by \$1,024

million, revenue, annual surplus and accumulated surplus would have been higher by \$1,024 million and net debt would have been lower by \$1,024 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements.***

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

***Auditor's Responsibilities for the Audit of Financial Statements***

My objectives are to obtain reasonable assurance about whether the entity's 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 my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

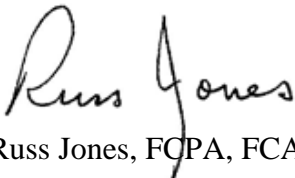
As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 entity'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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Russ Jones, FCPA, FCA, ICD.D  
Auditor General (Acting)

Victoria, British Columbia, Canada  
June 24, 2020

# INTERIOR HEALTH AUTHORITY

## Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2020

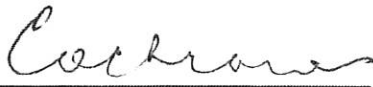
	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 218,572	\$ 196,563
Accounts receivable (note 3)	77,951	98,291
Long-term disability and health and welfare benefits (note 7(b)(i))	17,179	-
	<u>313,702</u>	<u>294,854</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	240,056	221,946
Deferred operating contributions (note 5)	3,048	3,438
Debt (note 6)	391,851	361,182
Retirement allowance (note 7(a))	119,650	118,521
Long-term disability and health and welfare benefits (note 7(b)(i))	-	7,980
Deferred capital contributions (note 8)	1,171,929	1,139,392
	<u>1,926,534</u>	<u>1,852,459</u>
<b>Net debt</b>	<u>(1,612,832)</u>	<u>(1,557,605)</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 9)	1,612,788	1,561,513
Inventories held for use (note 10)	6,917	6,244
Prepaid expenses (note 11)	11,394	7,753
Restricted assets	235	235
	<u>1,631,334</u>	<u>1,575,745</u>
<b>Accumulated surplus</b>	<u>\$ 18,502</u>	<u>\$ 18,140</u>

Commitments and contingencies (note 12)

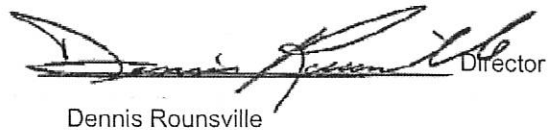
Contractual rights (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

Dr. Doug Cochrane

 Director

Dennis Rounsville

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

	2020 Budget (Notes 1(n), 17)	2020	2019
<b>Revenues:</b>			
Ministry of Health contributions	\$ 1,999,867	\$ 2,023,926	\$ 1,854,262
Medical Services Plan	162,729	167,061	162,684
Patients, clients and residents (note 13(a))	113,510	114,357	114,188
Amortization of deferred capital contributions	80,848	89,232	79,777
Recoveries from other health authorities and BC government reporting entities	57,607	56,588	46,159
Other contributions (note 13(b))	35,736	36,038	37,611
Other (note 13(c))	35,971	37,815	33,480
Investment	2,159	2,928	3,176
	<u>2,488,427</u>	<u>2,527,945</u>	<u>2,331,337</u>
<b>Expenses (note 13(d)):</b>			
Acute	1,366,768	1,424,458	1,318,688
Long-term care	444,088	445,261	416,118
Community care	271,025	262,533	243,332
Corporate	172,576	163,374	159,300
Mental health and substance use	166,505	164,547	153,436
Population health and wellness	67,465	67,410	65,105
	<u>2,488,427</u>	<u>2,527,583</u>	<u>2,355,979</u>
Annual surplus (deficit)	-	362	(24,642)
Accumulated surplus, beginning of year	18,140	18,140	42,782
Accumulated surplus, end of year	\$ 18,140	\$ 18,502	\$ 18,140

See accompanying notes to financial statements.

# INTERIOR HEALTH AUTHORITY

Statement of Changes in Net Debt  
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

	2020 Budget (Note 1(n))	2020	2019
Annual surplus (deficit)	\$ -	\$ 362	\$ (24,642)
Acquisition of tangible capital assets	(190,300)	(157,459)	(202,325)
Proceeds from disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	87,226	105,135	94,535
Loss on disposal of tangible capital assets	-	1,049	135
	(103,074)	(50,913)	(132,297)
Acquisition of inventories held for use	-	(88,189)	(86,685)
Acquisition of prepaid expenses	-	(57,231)	(36,156)
Consumption of inventories held for use	-	87,516	86,715
Use of prepaid expenses	-	53,590	36,210
	-	(4,314)	84
Increase in net debt	(103,074)	(55,227)	(132,213)
Net debt, beginning of year	(1,557,605)	(1,557,605)	(1,425,392)
Net debt, end of year	\$ (1,660,679)	\$ (1,612,832)	\$ (1,557,605)

See accompanying notes to financial statements.



# INTERIOR HEALTH AUTHORITY

## Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

	2020	2019
Cash flows from (used in) operating activities:		
Annual surplus (deficit)	\$ 362	\$ (24,642)
Items not involving cash:		
Amortization of deferred capital contributions	(89,232)	(79,777)
Amortization of tangible capital assets	105,135	94,535
Loss on disposal of tangible capital assets	1,049	135
Retirement allowance expense	9,677	9,961
Retirement allowance benefits paid	(8,549)	(7,469)
Long-term disability and health and welfare benefits expense	86,379	107,718
Long-term disability and health and welfare benefits contributions	(111,538)	(102,006)
Interest income	(2,928)	(3,176)
Interest expense	20,849	16,535
	11,204	11,814
Net change in non-cash operating items (note 14(a))	33,754	(16,709)
Interest received	2,928	3,176
Interest paid	(20,856)	(16,546)
Net change in cash from operating activities	27,030	(18,265)
Capital activities:		
Acquisition of tangible capital assets (note 14(b))	(120,025)	(145,367)
Net change in cash from capital activities	(120,025)	(145,367)
Financing activities:		
Repayment of debt	(6,765)	(5,443)
Capital contributions	121,769	131,600
Net change in cash from financing activities	115,004	126,157
Increase (Decrease) in cash and cash equivalents	22,009	(37,475)
Cash and cash equivalents, beginning of year	196,563	234,038
Cash and cash equivalents, end of year	\$ 218,572	\$ 196,563

Supplementary cash flow information (note 14)

See accompanying notes to financial statements.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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Interior 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 Interior region and those referred from outside the region.

## 1. Significant accounting policies:

### (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 of amortization used for the related tangible capital asset. 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.
- (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 has been met by the Authority.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

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

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*; 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, *Restricted Assets and Revenues*; 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 15(c)).

### (c) 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 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.

### (d) 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 collectable.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (e) Asset retirement obligations:

The Authority 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 Authority 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.

See note 12(g) for detail on current asset retirement obligations.

### (f) 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 and health and welfare benefits 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 benefit is 11 years (2019 – 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (f) 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 due and 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.

### (g) 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:

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Land improvements	5 - 25 years
Buildings	10 - 50 years
Equipment	3 - 20 years
Information systems	3 - 10 years
Leasehold improvements	2 - 15 years
Vehicles	4 years

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# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (g) 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) Inventories held for use:

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

#### (iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the service benefits are received.

### (h) 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.

Revenue related to fees or services received in advance of the fee being earned or the service 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).

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (h) Revenue recognition (continued):

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.

### (i) 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, amounts to settle asset retirement obligations, 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.

### (j) Restricted assets:

Restricted assets are comprised of endowment contributions which are externally restricted in their use. Endowment contributions are recorded as revenue in the period of acquisition. Use of these funds is limited to the terms of reference.

### (k) 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.

### (l) 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.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (l) Financial instruments (continued):

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 amortized costs less any write-downs associated with a loss in value that is other than a temporary decline. 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.

### (m) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction are estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the Authority.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return.



# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (m) Capitalization of public-private partnership projects (continued):

When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received is recorded as a liability and included in debt.

Upon substantial completion, the private sector partner receives monthly payments to cover the partner's operating costs, financing costs and a return of their capital over the term of their project agreement.

### (n) 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 July 30, 2019 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and accumulated operating surplus and the statement of changes in net debt. Note 17 reconciles the approved budget to the budget information reported in these financial statements.

### (o) Future accounting standards:

(i) In August 2018, PSAB issued PS 3280 Asset Retirement Obligations. PS 3280 establishes standards of how to account for and report legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites. Disclosure of information about asset retirement obligations is required when tangible capital assets are acquired, constructed, developed, or are in normal use. 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 PS3400 on the financial statements of the Authority.

# INTERIOR 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	\$ 218,572	\$ 196,563
Amounts restricted for capital purposes	(39,996)	(37,473)
Amounts restricted for future operating purposes	(3,048)	(3,438)
Amounts restricted for P3 projects	(8,868)	(5,890)
Amounts restricted for patient comfort funds	(291)	(311)
Unrestricted cash and cash equivalents	\$ 166,369	\$ 149,451

## 3. Accounts receivable:

	2020	2019
Patients, clients and residents	\$ 25,401	\$ 22,517
Other health authorities and BC government reporting entities	19,042	20,154
Medical Services Plan	16,546	20,799
Ministry of Health	4,592	15,687
Regional hospital districts	6,407	8,646
Foundations and auxiliaries	5,599	12,317
Federal government	2,075	3,670
WorkSafeBC	1,496	2,026
Other	10,777	9,200
	91,935	115,016
Allowance for doubtful accounts	(13,984)	(16,725)
	\$ 77,951	\$ 98,291

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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#### 4. Accounts payable and accrued liabilities:

	2020	2019
Salaries and benefits payable	\$ 106,378	\$ 92,321
Accrued vacation pay	75,367	69,153
Trade accounts payable and accrued liabilities	58,311	60,472
	<u>\$ 240,056</u>	<u>\$ 221,946</u>

#### 5. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2020	2019
Deferred operating contributions, beginning of year	\$ 3,438	\$ 4,281
Contributions received during the year	1,732	1,600
Amount recognized as revenue in the year	(2,122)	(2,443)
	<u>\$ 3,048</u>	<u>\$ 3,438</u>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 6. Debt:

	2020	2019
Public-private partnerships:		
Kelowna and Vernon Hospitals Project, 30 year contract to August 2042 with Infusion Health KVH General Partnership, payable in monthly payments including annual interest of 7.62%, in accordance with the project agreement terms	\$ 126,029	\$ 129,347
Interior Heart & Surgical Centre Project, 30 year contract to December 2044 with Plenary Health, payable in monthly payments including annual interest of 5.93%, in accordance with the project agreement terms	72,387	73,641
Penticton Hospital Tower Project, 30 year contract to December 2048 with EllisDon, payable in monthly payments including annual interest of 4.61%, in accordance with the project agreement terms	135,808	138,001
Royal Inland Hospital Tower Project, 30 year contract to February 2052 with EllisDon. Monthly payments include annual interest of 4.88% to commence upon substantial completion of the project in accordance with the terms of the project agreement.	57,627	20,193
	<u>\$ 391,851</u>	<u>\$ 361,182</u>

Principal repayments on debt for the years ending March 31 are required as follows:

2021	\$ 6,938
2022	7,674
2023	9,037
2024	9,953
2025	10,583
Thereafter	347,666
	<u>\$ 391,851</u>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. 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	\$ 62,983	\$ 61,177
Sick leave benefits	43,437	42,438
	106,420	103,615
Unamortized actuarial gain	13,230	14,906
Accrued benefit liability	\$ 119,650	\$ 118,521

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	\$ 118,521	\$ 116,029
Net benefit expense:		
Current service cost	7,586	7,611
Interest expense	4,158	4,176
Amortization of actuarial gain	(2,067)	(1,828)
Net benefit expense	9,677	9,959
Benefits paid	(8,548)	(7,467)
Accrued benefit liability, end of year	\$ 119,650	\$ 118,521

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. Employee benefits (continued):

### (a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement benefit obligation 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%

### (b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims 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 Authority's assets and liabilities being segregated with respect to all benefits. Accordingly, the Authority's net trust liabilities are reflected in these financial statements.

The Authority's liabilities as of March 31, 2020 are based on the actuarial valuation at December 31, 2019, extrapolated to March 31, 2020. The next expected valuation is as of December 31, 2020.

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. 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	\$ 198,054	\$ 171,838
Accrued benefit obligation	180,875	179,818
<b>Net funded (asset) liability</b>	<b>\$ (17,179)</b>	<b>\$ 7,980</b>
	2020	2019
Long-term disability and health and welfare benefits liability, beginning of year:	\$ 7,980	\$ 2,268
Net benefit expense:		
Long-term disability expense	19,879	18,719
Health and welfare benefit expense	26,714	25,443
Interest expense	10,222	9,838
Actuarial (gain) loss	(5,897)	24,501
Employee payments	(1,189)	(2,156)
Expected return on assets	(10,183)	(10,141)
<b>Net benefit expense</b>	<b>39,546</b>	<b>66,204</b>
Contributions to the plan	(64,705)	(60,492)
Long-term disability and health and welfare benefits (asset) liability, end of year	\$ (17,179)	\$ 7,980
<b>Benefits paid to claimants (calendar year):</b>	<b>\$ 59,569</b>	<b>\$ 60,489</b>
Plan assets consist of:		
Calendar year ending December 31:	2019	2018
Debt securities	39.2%	39.6%
Foreign equities	35.5%	34.2%
Equity securities and other	25.3%	26.2%
<b>Total</b>	<b>100.00%</b>	<b>100.0%</b>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits (continued):

#### (i) Long-term disability benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's long-term disability benefits liabilities are as follows:

	2020	2019
Accrued benefit (asset) obligation 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 compensation 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 rate of return on plan assets was 12.4% (2019 - 0.53%)

#### (ii) Other Trust benefits:

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 benefits trusts totaling \$46.3 million (2019 - \$41.7 million).



# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 7. Employee benefits (continued):

### (c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$93.4 million (2019 - \$92.9 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2018 indicated a surplus of approximately \$2,866 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 205,000 active members, of which approximately 18,941 are employees of the Authority (2019 – 18,126). 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 \$0.8 million (2019 - \$0.8 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 March 31, 2017 indicated a surplus of approximately \$1,896.0 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 64,000 active members, of which approximately 115 are employees of the Authority (2019 – 125). The next expected actuarial valuation will be as of March 31, 2020 with results available in early 2021.

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 8. 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	\$ 1,139,392	\$ 1,087,569
Capital contributions received:		
Ministry of Health	45,516	42,419
Regional hospital districts	61,495	60,537
Foundations and auxiliaries	10,967	25,665
Health authorities and BC government reporting entities	20	-
Other	3,771	2,979
	121,769	131,600
Amortization for the year	(89,232)	(79,777)
Deferred capital contributions, end of year	\$ 1,171,929	\$ 1,139,392

Deferred capital contributions are comprised of the following:

	2020	2019
Contributions used to purchase tangible capital assets	\$ 1,131,933	\$ 1,101,919
Unspent contributions	39,996	37,473
	\$ 1,171,929	\$ 1,139,392

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 9. Tangible capital assets:

Cost	2019	Additions	Disposals	Transfers	2020
Land	\$ 43,876	\$	\$	440	\$ 44,316
Land improvements	26,595		(39)	877	27,433
Buildings	2,013,288	710	(1,116)	13,669	2,026,551
Equipment	690,457	19,736	(14,055)	23,596	719,734
Information systems	106,875	123	(751)	10,981	117,228
Leasehold improvements	27,325	72		3,124	30,521
Vehicles	9,276	895	(324)		9,847
Construction in progress	45,827	107,479		(20,187)	133,119
Equipment and information systems in progress	37,213	28,444		(32,500)	33,157
<b>Total</b>	<b>\$ 3,000,732</b>	<b>\$ 157,459</b>	<b>\$ (16,285)</b>	<b>\$ -</b>	<b>\$ 3,141,906</b>

Accumulated amortization	2019	Amortization	Disposals	Transfers	2020
Land improvements	\$ 18,986	\$ 1,191	\$ (38)	\$ (1)	20,138
Buildings	795,020	52,791	(1,116)	(69)	846,626
Equipment	519,597	38,571	(13,014)	61	545,215
Information systems	84,092	10,195	(751)		93,536
Leasehold improvements	14,307	1,420		9	15,736
Vehicles	7,217	968	(318)		7,867
<b>Total</b>	<b>\$ 1,439,219</b>	<b>\$ 105,136</b>	<b>\$ (15,237)</b>	<b>\$ -</b>	<b>\$ 1,529,118</b>

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 43,070	\$	\$	806	\$ 43,876
Land improvements	26,445		(11)	161	26,595
Buildings	1,746,476	370	(1,716)	268,158	2,013,288
Equipment	649,953	20,196	(19,587)	39,895	690,457
Information systems	98,056	125		8,694	106,875
Leasehold improvements	27,049		(14)	290	27,325
Vehicles	8,771	1,306	(803)	2	9,276
Construction in progress	184,248	132,517		(270,938)	45,827
Equipment and information systems in progress	36,470	47,811		(47,068)	37,213
<b>Total</b>	<b>\$ 2,820,538</b>	<b>\$ 202,325</b>	<b>\$ (22,131)</b>	<b>\$ -</b>	<b>\$ 3,000,732</b>

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

## 9. Tangible capital assets (continued):

Accumulated amortization	2018	Amortization	Disposals	Transfers	2019
Land improvements	\$ 17,828	\$ 1,164	\$ (7)	\$ 1	18,986
Buildings	747,789	48,947	(1,716)		795,020
Equipment	506,017	33,043	(19,461)	(2)	519,597
Information systems	74,834	9,258			84,092
Leasehold improvements	13,049	1,268	(10)		14,307
Vehicles	7,163	855	(802)	1	7,217
<b>Total</b>	<b>\$ 1,366,680</b>	<b>\$ 94,535</b>	<b>\$ (21,996)</b>	<b>\$ -</b>	<b>1,439,219</b>

Net book value	2020	2019
Land	\$ 44,316	\$ 43,876
Land improvements	7,295	7,609
Buildings	1,179,925	1,218,268
Equipment	174,519	170,860
Information systems	23,692	22,783
Leasehold improvements	14,785	13,018
Vehicles	1,980	2,059
Construction in progress	133,119	45,827
Equipment and information systems in progress	33,157	37,213
<b>Total</b>	<b>\$ 1,612,788</b>	<b>\$ 1,561,513</b>

During the year, \$2.1 million interest (2019 - \$4.5 million) has been capitalized to construction in progress.

Tangible capital assets are funded as follows:

	2020	2019
Deferred capital contributions	\$ 1,131,933	\$ 1,101,919
Debt	391,851	361,182
Internally funded	89,004	98,412
<b>Tangible capital assets</b>	<b>\$ 1,612,788</b>	<b>\$ 1,561,513</b>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 10. Inventories held for use:

	2020	2019
Medical supplies	\$ 4,403	\$ 3,779
Pharmaceuticals	2,514	2,465
	\$ 6,917	\$ 6,244

## 11. Prepaid expenses:

	2020	2019
Contracted services	\$ 1,509	\$ 1,381
Maintenance contracts	9,119	5,447
Rent/leases	359	349
Other	407	576
	\$ 11,394	\$ 7,753

## 12. Commitments and contingencies:

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

As at March 31, 2020, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$236.8 million (2019 – \$284.7 million).

### (b) Contractual obligations:

The Authority has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under the contracts are as follows:

	2021	2022	2023	2024	2025	Thereafter
Service contracts	\$120,331	\$64,581	\$37,817	\$8,320	\$2,877	\$0

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 12. Commitments and contingencies (continued):

(c) Long-term care contracts:

The Authority has entered into contracts with 45 service providers to provide long-term care services. The aggregate annual commitments for these contracts for the years ending March 31 are as follows:

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2021	\$	225,681
2022		47,470
2023		47,470
2024		47,470
2025		47,470
Thereafter		149,166
	\$	564,727

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(d) Operating leases:

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

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2021	\$	14,175
2022		12,688
2023		12,194
2024		7,673
2025		7,501
Thereafter		62,059
	\$	116,290

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# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 12. Commitments and contingencies (continued):

### (e) Public-private partnerships commitments:

The Authority has entered into multiple-year P3 contracts to design, build, finance, and maintain the Kelowna and Vernon Hospitals' project, the Interior Heart and Surgical Centre project, the Penticton Regional Hospital project, and the Royal Inland Hospital project. The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. As construction progresses the asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 6. Facilities maintenance and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Capital and financing	FM and lifecycle	Total payments
2021	\$ 162,354	\$ 26,916	\$ 189,270
2022	83,060	26,727	109,787
2023	37,920	28,082	66,002
2024	38,279	29,124	67,403
2025	38,288	31,069	69,357
Thereafter	790,712	970,934	1,761,646
	<u>\$ 1,150,613</u>	<u>\$ 1,112,852</u>	<u>\$ 2,263,465</u>

### (f) 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.

### (g) Asset retirement obligations:

The Authority has recorded an asset retirement obligation for a building that is not in active use that will be demolished in the upcoming year. The related liability as of March 31, 2020 is \$0.7 million and is recorded in accounts payable and accrued liabilities. The Authority has other unrecorded asset retirement obligations relating to facilities that may contain asbestos. At this time, the Authority has not recognized these obligations as the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 13. Statement of operations:

### (a) Patients, clients and residents revenue:

	2020	2019
Long-term and extended care	\$ 46,289	\$ 45,182
Non-residents of BC	26,665	28,159
Non-residents of Canada	15,191	14,579
WorkSafe BC	11,844	12,977
Residents of BC self pay	11,126	10,084
Federal government	1,302	1,411
Preferred accommodation	494	569
Other	1,446	1,227
	<u>\$ 114,357</u>	<u>\$ 114,188</u>

### (b) Other contributions:

	2020	2019
Provincial Health Services Authority	\$ 33,651	\$ 34,311
Other BC government reporting entities	2,150	2,297
Other	237	1,003
	<u>\$ 36,038</u>	<u>\$ 37,611</u>

### (c) Other revenues:

	2020	2019
Compensation recoveries	\$ 14,901	\$ 12,760
Parking	5,985	6,036
Other	16,929	14,684
	<u>\$ 37,815</u>	<u>\$ 33,480</u>



# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 13. Statement of operations (continued):

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

	2020	2019
Compensation:		
Compensation	\$ 1,316,866	\$ 1,219,347
Employee Benefits	316,824	276,591
(Gain) loss on event-driven employee benefits	(5,897)	24,501
	<u>1,627,793</u>	<u>1,520,439</u>
Referred-out and contracted services:		
Health and support services providers	374,201	345,456
Other health authorities and BC government reporting entities	18,366	17,713
	<u>392,567</u>	<u>363,169</u>
Supplies:		
Medical and surgical	99,791	94,887
Drugs and medical gases	70,494	59,925
Diagnostic	29,015	26,455
Food and dietary	17,981	16,730
Printing, stationery and office	6,341	6,397
Laundry and linen	4,564	4,430
Housekeeping	5,915	5,902
Other	13,015	12,543
	<u>247,116</u>	<u>227,269</u>
Amortization of tangible capital assets	105,135	94,535
Equipment and building services:		
Equipment	39,056	38,013
Plant operation (utilities)	19,446	17,726
Rent	10,429	10,361
Building and ground service contracts	10,532	9,672
Other	7,174	6,131
	<u>86,637</u>	<u>81,903</u>
Sundry:		
Patient transport	9,639	9,528
Travel	9,642	10,081
Communication and data processing	5,285	5,108
Professional fees	4,896	4,898
Other	18,024	22,514
	<u>47,486</u>	<u>52,129</u>
Interest on debt	20,849	16,535
	<u>\$ 2,527,583</u>	<u>\$ 2,355,979</u>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 14. Supplementary cash flow information:

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

	2020	2019
Accounts receivable	\$ 20,340	\$ (29,601)
Accounts payable and accrued liabilities	18,118	13,651
Deferred operating contributions	(390)	(843)
Inventories held for use	(673)	30
Prepaid expenses	(3,641)	54
	<u>\$ 33,754</u>	<u>\$ (16,709)</u>

### (b) Acquisition of tangible capital assets:

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

	2020	2019
Acquisition of tangible capital assets (note 9)	\$ 157,459	\$ 202,325
Construction financed with debt	(37,434)	(56,958)
	<u>\$ 120,025</u>	<u>\$ 145,367</u>

## 15. Related parties and other agencies:

The following are types of related parties. Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated.

### (a) BC Government reporting entities:

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

The Authority contracts certain services to Provincial Health Services Authority (PHSA), including accounts payable, tech services and supply chain. The expense recorded for contracted services with PHSA in 2020 was \$12.9 million (2019 - \$13.1 million).

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 15. Related parties and other agencies (continued):

### (a) BC Government reporting entities (continued):

The Authority contracts clinical and other services from government reporting entities (GRE's) including cancer programs, renal services, and other programs. The revenue recorded for the recoveries from GRE's in 2020 was \$13.3 million (2019 - \$12.8 million). As at March 31, the Authority has accounts receivable of \$16.6 million (2019 - \$16.9 million) and accounts payable of \$5.9 million (2019 - \$14.3 million) to other GRE's for these services.

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

### (b) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team and their close family members or entities controlled by them to be related parties based on the PS 2200 definition. A declaration is completed by key management personnel annually to confirm whether there are any related party transactions between themselves, their close family members, or entities under their control and the Authority. No transactions were reported that required disclosure.

### (c) Foundations and auxiliaries:

There are 68 separate health care foundations 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 and auxiliaries granted \$13.6 million (2019 - \$27.2 million) to various facilities within the Authority.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

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## 16. 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 below by type of risk.

### (a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents and accounts 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.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, 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 \$14.0 million (2019 - \$16.7 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.

# INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2020

## 16. Risk management (continued):

### (b) Liquidity risk (continued):

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

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

2020 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 218,572	\$ -	\$ -	\$ 218,572
Accounts receivable	77,951	-	-	77,951
<b>Total financial assets</b>	<b>\$ 296,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 296,523</b>

2020 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 239,862	\$ 194	\$ -	\$ 240,056
Debt	6,938	37,250	347,663	391,851
<b>Total financial liabilities</b>	<b>\$ 246,800</b>	<b>\$ 37,444</b>	<b>\$ 347,663</b>	<b>\$ 631,907</b>

2019 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 196,563	\$ -	\$ -	\$ 196,563
Accounts receivable	98,291	-	-	98,291
<b>Total financial assets</b>	<b>\$ 294,854</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 294,854</b>

2019 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 221,752	\$ 194	\$ -	\$ 221,946
Debt	6,742	31,862	322,578	361,182
<b>Total financial liabilities</b>	<b>\$ 228,494</b>	<b>\$ 32,056</b>	<b>\$ 322,578</b>	<b>\$ 583,128</b>

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 16. Risk management (continued):

### (c) Foreign exchange 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 Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in USA dollars, Great Britain pounds and other currencies. Currencies most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2020	2019
US dollar per Canadian dollar	\$ 0.705	\$ 0.748

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.

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 17. Budget:

The original budget, as approved by the Board on July 30, 2019, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The changes are as follows:

	<b>Board</b>		
	<b>Approved</b>		<b>Restated</b>
	<b>Plan</b>	<b>Reallocations</b>	<b>Budget</b>
<b>Revenues:</b>			
Provincial government sources	\$ 2,301,503	\$ (2,301,503)	\$ -
Non-provincial government sources	186,924	(186,924)	-
Ministry of Health contributions	-	1,999,867	1,999,867
Medical Services Plan	-	165,729	165,729
Patients, clients and residents	-	81,714	81,714
Amortization	-	80,848	80,848
Recoveries from other Health Authorities and government reporting entities	-	57,797	57,797
Other contributions	-	35,736	35,736
Other	-	64,577	64,577
Investment Income	-	2,159	2,159
	<b>2,488,427</b>	<b>-</b>	<b>2,488,427</b>
<b>Expenses:</b>			
Acute	1,366,768	-	1,366,768
Long-term care	444,088	-	444,088
Community care	271,025	-	271,025
Corporate	172,576	-	172,576
Mental health and substance use	166,505	-	166,505
Population health and wellness	67,465	-	67,465
	<b>2,488,427</b>	<b>-</b>	<b>2,488,427</b>
<b>Annual Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 18. Contractual Rights:

Interior Health has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending March 31 are as follows:

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2021	\$	862
2022		756
2023		691
	\$	2,309

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## 19. Comparative Figures

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

## 20. 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 for 2020/21 in future fiscal years are being assessed, but the nature and amount is still to be determined.