

Consolidated Financial Statements of

PROVIDENCE HEALTH CARE SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2020



How you want to be treated.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The consolidated financial statements of Providence Health Care Society ("Providence") 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 notes, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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 fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board of Directors. 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.

Providence'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, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination considers internal control relevant to management's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purposes of expressing an opinion on the effectiveness of Providence's internal control. The external auditors have full and free access to the Audit and Finance Committee of the Board of Directors and meet a minimum of two times a year.

On behalf of Providence Health Care Society:

A handwritten signature in black ink, appearing to read "Fiona Dalton", written over a horizontal line.

Fiona Dalton
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Brian Simmers", written over a horizontal line.

Brian Simmers
Chief Financial Officer

June 23, 2020
Vancouver, Canada



KPMG LLP
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Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Providence Health Care Society, and the Minister of the
Ministry of Health, Province of British Columbia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Providence Health Care Society ("Providence"), which comprise:

- the consolidated statement of financial position as at March 31, 2020
- the consolidated statement of operations and accumulated deficit for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2020 of Providence 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of Providence in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the 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.

In preparing the financial statements, management is responsible for assessing Providence's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Providence or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Providence's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Providence'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 Providence's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Providence to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state:

- whether, in our opinion, these financial statements fairly reflect, in all material respects, for the period under review, the financial position of Providence and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provision of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.
- whether, in our opinion, these financial statements are prepared in accordance with generally accepted accounting principles. These financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. Note 1(a) to the financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and not to generally accepted accounting principles.



- whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the accounting policies applied in preparing 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 have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 23, 2020

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

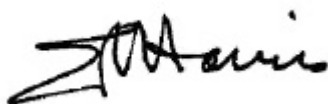
As at March 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents (note 2)	\$ 84,196	\$ 39,516
Accounts receivable (note 3)	39,843	37,533
Long-term disability and health and welfare benefits (note 4(a)(i))	91	-
	<u>124,130</u>	<u>77,049</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	139,254	108,770
Deferred operating contributions (note 6)	14,325	3,355
Demand loan (note 7)	38,500	29,000
Debt (note 8)	9,560	9,828
Lease inducements	2,100	2,947
Retirement allowance (note 4(b))	49,917	49,741
Long-term disability and health and welfare benefits (note 4(a)(i))	-	3,357
Replacement reserves (note 9)	767	797
Deferred capital contributions (note 10)	172,427	159,959
	<u>426,850</u>	<u>367,754</u>
Net debt	(302,720)	(290,705)
Non-financial assets		
Prepaid expenses	6,975	3,101
Inventories held for use (note 11)	10,998	7,468
Tangible capital assets (note 12)	192,299	185,054
	<u>210,272</u>	<u>195,623</u>
Accumulated deficit	\$ (92,448)	\$ (95,082)

Commitments and contingencies (note 13)
Subsequent events (note 23)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Eric Harris
Director



Dan Wilton
Director

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

	Budget (notes 1(k) and 18)	2020	2019
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 588,700	\$ 626,547	\$ 569,911
Recoveries from other health authorities and BC government reporting entities	103,284	122,486	114,811
Pharmacare	114,100	100,971	87,767
Medical Services Plan	64,100	79,821	64,820
Patients, clients and residents (note 14(a))	42,916	52,936	43,314
Amortization of deferred capital contributions (note 10)	29,310	29,764	23,053
Vancouver Island Health Authority contributions (note 22)	10,712	10,717	-
Interest income	30	312	-
Other	19,993	34,782	26,945
	973,145	1,058,336	930,621
Expenses: (note 14(b))			
Acute	759,300	795,430	749,953
Corporate	62,629	89,649	56,373
Long-term care	76,616	78,376	57,668
Mental health and substance use	54,000	72,622	54,904
Community care	20,600	19,207	21,340
	973,145	1,055,284	940,238
Loss on transfer of St. Joseph's General Hospital (note 22)	-	418	-
Annual surplus (deficit)	-	2,634	(9,617)
Accumulated deficit, beginning of year	(95,082)	(95,082)	(85,465)
Accumulated deficit, end of year	\$ (95,082)	\$ (92,448)	\$ (95,082)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

	Budget (notes 1(k) and 18)	2020	2019
Annual surplus (deficit)	\$ -	\$ 2,634	\$ (9,617)
Acquisition of tangible capital assets	(33,960)	(31,071)	(20,494)
Amortization of tangible capital assets	30,877	31,585	24,500
Transfer of tangible capital assets of St. Joseph's General Hospital (note 22)	-	(10,799)	-
Loss on disposal of tangible capital asset	-	3,040	-
	(3,083)	(4,611)	(5,611)
Acquisition of inventories held for use	-	(137,144)	(105,163)
Acquisition of prepaid expenses	-	(12,302)	(8,436)
Consumption of inventories held for use	-	133,635	105,766
Use of prepaid expenses	-	8,437	8,768
Transfer of inventories held for use and prepaid expenses of St. Joseph's General Hospital (note 22)	-	(30)	-
	-	(7,404)	935
Increase in net debt	(3,083)	(12,015)	(4,676)
Net debt, beginning of year	(290,705)	(290,705)	(286,029)
Net debt, end of year	\$ (293,788)	\$ (302,720)	\$ (290,705)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Consolidated 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)	\$ 2,634	\$ (9,617)
Items not involving cash:		
Amortization of tangible capital assets (note 12)	31,585	24,500
Amortization of deferred capital contributions (note 10)	(29,764)	(23,053)
Amortization of lease inducements	(1,149)	(1,139)
Retirement allowance expense (note 4(b))	3,638	3,673
Long-term disability and health and welfare benefits expense (note 4(a)(i))	15,016	19,867
Loss on disposal of tangible capital asset	3,040	-
Loss on transfer of St. Joseph's General Hospital, net of cash and cash equivalents received	5,686	-
	30,686	14,231
Net change in non-cash operating items (note 15)	30,869	739
Retirement allowance benefits paid (note 4(b))	(4,298)	(3,523)
Long-term disability and health and welfare benefits contributions (note 4(a)(i))	(18,464)	(15,080)
Net change in cash from operating activities	38,793	(3,633)
Capital activities:		
Acquisition of tangible capital assets	(31,071)	(20,494)
Net change in cash from capital activities	(31,071)	(20,494)
Investing activities:		
Net change in portfolio investments	-	67
Net change in cash from investing activities	-	67
Financing activities:		
Proceeds from demand loan	9,500	-
Repayment of debt	(268)	(259)
Leasehold inducements	302	201
Capital contributions (note 10)	27,424	23,354
Net change in cash from financing activities	36,958	23,296
Increase (decrease) in cash and cash equivalents	44,680	(764)
Cash and cash equivalents, beginning of year	39,516	40,280
Cash and cash equivalents, end of year	\$ 84,196	\$ 39,516

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

Providence Health Care Society (“Providence”) is incorporated under the *Societies Act (British Columbia)* and is funded by the Ministry of Health (the “Ministry”). Providence is a not-for-profit organization and is a registered charity under the *Income Tax Act*, and as such, is exempt from income taxes.

Consolidated operations of Providence (note 1(b)), situated in central Vancouver and Vancouver Island, provides acute care, long-term care, geriatric rehabilitation, continuing care, and other tertiary care services to the residents of Greater Vancouver Regional Area and other residents of British Columbia (“BC”). Providence is responsible for operating seven community dialysis clinics in the Vancouver region, an addiction clinic and has clinical operations on nine different sites: St. Paul’s Hospital, Holy Family Hospital, Mount Saint Joseph Hospital, Brock Fahrni Pavilion, St. Vincent’s Langara, Youville Residence, St. John’s Hospice, St. Joseph’s General Hospital and Honoria Conway at St. Vincent’s Heather.

Providence is a strategic partner with Vancouver Coastal Health Authority (“VCHA”). The formal relationship is delineated within an Affiliation Agreement signed by the respective parties on June 16, 1998. The Affiliation Agreement establishes Accountability Provisions, Operating Principles, Funding Guidelines, Dispute Mechanism, and Termination Rights between Providence and VCHA. Providence is dependent upon the Ministry and VCHA to provide sufficient funding to continue operations, to replace equipment and to complete other capital projects.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated 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 consolidated 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period 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.

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 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, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, *Restricted Assets and Revenue*; and
- deferred contributions meet the liability criteria in accordance with PS 3200, *Liabilities*.

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

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(b) Basis of presentation and consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by Providence. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities being eliminated on consolidation. Providence Residential and Community Care Services Society ("PRCC") and Providence Health Care Business Corporation ("PHCBC") are controlled by Providence and are fully consolidated in these consolidated financial statements.

Providence has collaborative relationships with certain foundations and other institutions, which support the activities of Providence and/or provide services under contracts. As Providence does not control these organizations, these consolidated financial statements do not include the assets, liabilities, and results of operations of St. Paul's Foundation of Vancouver and Providence Health Care Research Institute Trust (notes 16(c) and 16(d)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and 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) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight-line basis over the lease term.

(e) 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 employers 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2019 - 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligations is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are initially 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	5 - 28 years
Buildings	5 - 40 years
Equipment	1 - 20 years
Information systems	3 - 5 years
Leasehold improvements	Lesser of lease term or estimated useful life

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 Providence'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 consolidated statement of operations and accumulated deficit. 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 when the service benefits are received.

(g) Revenue recognition:

Under the *Hospital Insurance Act and Regulation*, thereto, Providence is funded primarily by the Province of BC in accordance with budget arrangements established and approved by the Ministry, VCHA and Vancouver Island Health Authority ("VIHA"). Approved operating contributions are provided to Providence by the Ministry through VCHA and VIHA.

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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

Revenue related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist Providence in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these consolidated 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 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.

(h) Measurement uncertainty:

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Foreign currency translation:

Providence'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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(i) Foreign currency translation (continued):

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 consolidated statement of re-measurement gains and losses. There are no unrealized gains and losses as at March 31, 2020. As a result, Providence does not have a consolidated statement of re-measurement gains and losses.

(j) 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 consolidated statement of operations and accumulated deficit.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations and accumulated deficit.

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

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's fiscal 2019/2020 preliminary budget approved by its Board of Directors on March 1, 2019, and PRCC's fiscal 2019/20 budget approved by its Board of Directors on November 21, 2019. Note 18 reconciles the preliminary approved budget to the final budget reflected in the consolidated statement of operations and accumulated deficit. The budget reflected in the consolidated statement of operations and accumulated deficit for Providence was approved by its Board of Directors on September 25, 2019.

(l) Restructuring transactions:

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 liabilities transferred. Individual assets and liabilities received in a restructuring transaction are recognized at their carrying amount with applicable adjustments on the restructuring date. Individual assets and liabilities transferred are derecognized at their carrying amount on the restructuring date. The increase in net assets or the decrease in net liabilities resulting from a restructuring transaction are recognized as revenue or expense.

(m) Future accounting standards:

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

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

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

1. Significant accounting policies (continued):

(m) Future accounting standards (continued):

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 consolidated financial statements of Providence.

(i) In June 2018, PSAB issued PS 3400, *Revenue*. PS 3400 establishes a framework describing two categories of revenue – exchange transactions with performance obligations and unilateral transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS 3400 on the consolidated financial statements of Providence.

2. Cash and cash equivalents:

	2020	2019
Cash and cash equivalents	\$ 84,196	\$ 39,516
Less amounts restricted for:		
Special purpose funds	(1,482)	(985)
Replacement reserves (note 9)	(767)	(797)
Patient comfort funds	(188)	(190)
Deferred Salary Leave Plan	(27)	(16)
Unrestricted cash and cash equivalents	\$ 81,732	\$ 37,528

3. Accounts receivable:

	2020	2019
Patients, clients and residents	\$ 20,178	\$ 18,027
Other health authorities and BC government reporting entities	12,483	13,048
Vancouver Coastal Health Authority	9,058	8,155
Ministry of Health	4,368	2,945
Foundations	3,555	3,234
Federal government	1,195	1,033
Medical Services Plan	1,004	1,880
Pharmacare	110	149
Other	5,505	3,887
	57,456	52,358
Allowance for doubtful accounts	(17,613)	(14,825)
	\$ 39,843	\$ 37,533

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

4. Employee benefits:

(a) 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 claim ("health and welfare benefits") for certain employee groups of Providence and other provincially funded organizations.

Providence and all other participating employers are 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 Providence's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, Providence's net trust liabilities (assets) are reflected in these consolidated financial statements.

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

The fair value of plan assets below represents the market value of assets at December 31, 2019, the measurement date of the plan.

The long-term disability and health and welfare benefits (assets) liability reported on the consolidated statement of financial position is as follows:

	2020	2019
Accrued benefit obligation	\$ 54,713	\$ 53,226
Fair value of plan assets	(54,804)	(49,869)
Long-term disability and health and welfare benefits (asset) liability	\$ (91)	\$ 3,357

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

4. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

	2020	2019
Long-term disability and health and welfare benefits liability (asset), beginning of year	\$ 3,357	\$ (1,430)
Net benefit expense:		
Long-term disability and health and welfare expense	17,734	15,158
Interest expense	3,077	3,006
Non-employer contributions	(324)	(535)
Expected return on assets	(2,905)	(3,070)
Actuarial (gain) loss	(2,566)	5,308
Net benefit expense	15,016	19,867
Contributions to the plan	(18,464)	(15,080)
Long-term disability and health and welfare benefits (asset) liability, end of year	\$ (91)	\$ 3,357
Benefits paid to claimants	\$ (17,942)	\$ (19,208)
Plan assets consist of:		
	2020	2019
Debt securities	39%	40%
Foreign equities	36%	34%
Equity securities and other	25%	26%
Total	100%	100%

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

4. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

The significant actuarial assumptions adopted in measuring Providence's accrued long-term disability and health and welfare benefits (asset) liability are as follows:

	2020	2019
Accrued benefit (asset) liability as at March 31:		
Discount rate	5.60%	5.80%
Rate of benefit increase	2.00%	1.50%
Benefit cost 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 12.40% for the year ended December 31, 2020 (2019 - 0.53%).

(ii) Joint Benefit Trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. As these are multi-employer defined contribution plans, contributions are expensed when due and payable. During the year ended March 31, 2020, Providence made contributions to these joint benefit trusts totaling \$13.8 million (2019 - \$13.0 million).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

4. Employee benefits (continued):

(b) Retirement allowance:

Certain employees with 10- or 20-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.

Providence'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 are as follows:

	2020	2019
Accrued benefit obligation:		
Severance benefits	\$ 27,328	\$ 26,345
Sick leave benefits	18,955	18,252
	46,283	44,597
Unamortized actuarial gain	3,634	5,144
Accrued benefit liability	\$ 49,917	\$ 49,741

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

	2020	2019
Accrued benefit liability, beginning of year	\$ 49,741	\$ 49,591
Net benefit expense:		
Current service cost	2,884	2,779
Interest expense	1,791	1,782
Amortization of actuarial gain	(999)	(888)
Other adjustments	(38)	-
Net benefit expense	3,638	3,673
Benefits paid	(4,298)	(3,523)
Liability assumed on transfer of St. Joseph's General Hospital (note 22)	836	-
Accrued benefit liability, end of year	\$ 49,917	\$ 49,741

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

4. Employee benefits (continued):

(b) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring Providence'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 increase	2.00%	2.00%

(c) Employee pension benefits:

Providence 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 \$37.8 million (2019 - \$34.1 million) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2018 indicated a funding surplus of approximately \$2,866.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 205,000 active members, of which approximately 6,556 are employees of Providence (2019 - 6,255). The next expected actuarial valuation date will be as of December 31, 2021 with results available in 2022.

Employer contributions to the Public Service Pension Plan of \$0.1 million (2019 - \$0.1 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at March 31, 2017, indicated a surplus of approximately \$1,896.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 64,000 active members, of which approximately 15 are employees of Providence (2019 - 20). The next expected actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

5. Accounts payable and accrued liabilities:

	2020	2019
Trade accounts payable and accrued liabilities	\$ 64,797	\$ 45,744
Accrued salaries and benefits	49,692	40,734
Accrued vacation pay	24,765	22,292
	\$ 139,254	\$ 108,770

6. Deferred operating contributions:

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

	2020	2019
Deferred operating contributions, beginning of year	\$ 3,355	\$ 6,750
Contributions received in the year	13,259	1,205
Amount recognized as revenue in the year	(2,363)	(4,600)
Contributions transferred from St. Joseph's General Hospital (note 22)	74	-
Deferred operating contributions, end of year	\$ 14,325	\$ 3,355

7. Demand loans:

A demand loan of \$30.0 million was provided by VCHA for the acquisition of the Station Street Lands, the site of the future St. Paul's Hospital. Providence repaid \$1.0 million of principal of the demand loan during the year ended March 31, 2016. An additional demand loan of \$9.5 million was provided by VCHA for the redevelopment project of the new St. Paul's Hospital during the year ended March 31, 2020. The demand loans are interest bearing and interest is based on the Government of BC Central Deposit rate, which was 0.95% at March 31, 2020 (2019 - 2.45%). Providence incurred and paid interest expense of \$0.8 million during the year ended March 31, 2020 (2019 - \$0.7 million).

8. Debt:

	2020	2019
MCAP Financial Corporation Mortgage for the Honoria Conway at St. Vincent's Heather site, interest at 3.22% per annum, renewal date of June 1, 2024, secured by first charge on properties, payable in blended payments of \$48,000 per month	\$ 9,560	\$ 9,828

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

8. Debt (continued):

Required blended payments on the mortgage for the years ending March 31 are as follows:

2021	\$	578
2022		578
2023		578
2024		578
2025		578
Thereafter		7,890
		10,780
Less: interest		(1,220)
	\$	9,560

9. Replacement reserves:

The replacement reserves of \$0.8 million as of March 31, 2020 (2019 - \$0.8 million) represent the accumulated provision specified by the BC Housing Corporation and are funds for replacement of appliances and equipment for the benefit of Honoria Conway at St. Vincent's Heather.

10. Deferred capital contributions:

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

	2020	2019
Deferred capital contributions, beginning of year	\$ 159,959	\$ 159,658
Capital contributions received:		
Vancouver Coastal Health Authority	19,338	14,918
St. Paul's Foundation of Vancouver	5,106	4,722
Providence Health Care Research Institute Trust	108	1,329
Other	2,872	2,385
	27,424	23,354
Amortization for the year	(29,764)	(23,053)
Contributions transferred from St. Joseph's General Hospital (note 22)	14,808	-
Deferred capital contributions, end of year	\$ 172,427	\$ 159,959

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

10. Deferred capital contributions (continued):

Deferred capital contributions are comprised of the following:

	2020	2019
Contributions used to purchase tangible capital assets (note 12)	\$ 124,461	\$ 113,011
Unspent contributions	47,966	46,948
	\$ 172,427	\$ 159,959

11. Inventories held for use:

	2020	2019
Pharmaceuticals	\$ 10,202	\$ 6,810
Medical supplies	786	658
Other	10	-
	\$ 10,998	\$ 7,468

12. Tangible capital assets:

Cost	2019	Additions	Disposals	Transfers	2020
				(a)	
Land	\$ 59,798	\$ -	\$ (3,040)	\$ 14	\$ 56,772
Land improvements	252	-	-	112	364
Buildings	362,010	22	-	43,418	405,450
Equipment	230,757	8,385	(3,798)	10,746	246,090
Information systems	42,824	4,280	-	2,908	50,012
Leasehold improvements	19,488	-	-	949	20,437
Construction and equipment in progress	11,038	18,384	-	(13,468)	15,954
Total	\$ 726,167	\$ 31,071	\$ (6,838)	\$ 44,679	\$ 795,079

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

12. Tangible capital assets (continued):

Accumulated amortization	2019	Disposals	Amortization	Transfers	2020
				(a)	
Land improvements	252	-	1	-	253
Buildings	280,352	-	15,200	27,386	322,938
Equipment	205,026	(3,798)	12,572	5,341	219,141
Information systems	40,198	-	1,305	1,153	42,656
Leasehold improvements	15,285	-	2,507	-	17,792
Total	\$ 541,113	\$ (3,798)	\$ 31,585	\$ 33,880	\$ 602,780

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 59,798	\$ -	\$ -	\$ -	\$ 59,798
Land improvements	252	-	-	-	252
Buildings	353,989	-	-	8,021	362,010
Equipment	223,190	10,507	(4,137)	1,197	230,757
Information systems	40,869	2,029	(74)	-	42,824
Leasehold improvements	19,314	-	-	174	19,488
Construction and equipment in progress	12,472	7,958	-	(9,392)	11,038
Total	\$ 709,884	\$ 20,494	\$ (4,211)	\$ -	\$ 726,167

Accumulated amortization	2018	Disposals	Amortization	Transfers	2019
Land improvements	252	-	-	-	252
Buildings	267,867	-	12,485	-	280,352
Equipment	199,481	(4,137)	9,682	-	205,026
Information systems	39,869	(74)	403	-	40,198
Leasehold improvements	13,355	-	1,930	-	15,285
Total	\$ 520,824	\$ (4,211)	\$ 24,500	\$ -	\$ 541,113

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

12. Tangible capital assets (continued):

Net book value	2020	2019
Land	\$ 56,772	\$ 59,798
Land improvements	111	-
Buildings	82,512	81,658
Equipment	26,949	25,731
Information systems	7,356	2,626
Leasehold improvements	2,645	4,203
Construction and equipment in progress	15,954	11,038
Total	\$ 192,299	\$ 185,054

(a) Included in transfers for the 2019/2020 fiscal year are tangible capital assets transferred from St. Joseph's General Hospital with total net book value of \$10.8 million (note 22).

Tangible capital assets are funded as follows:

	2020	2019
Deferred capital contributions (note 10)	\$ 124,461	\$ 113,011
Demand loan (note 7)	29,000	29,000
Debt (note 8)	9,560	9,828
Internally funded	29,278	33,215
Tangible capital assets	\$ 192,299	\$ 185,054

13. Commitments and contingencies:

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

As at March 31, 2020, Providence had outstanding commitments for construction, equipment and information systems in-progress of \$11.6 million (2019 - \$3.3 million).

(b) Contractual obligations:

Providence has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

2021	\$ 19,211
2022	16,578
2023	11,140
2024	14,232
	\$ 61,161

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

13. Commitments and contingencies (continued):

(c) Operating leases:

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

2021	\$	8,123
2022		7,246
2023		6,136
2024		5,541
2025		5,283
Thereafter		24,452
	\$	56,781

(d) Litigation and claims:

Risk management and insurance services for Providence are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of Providence'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 Providence 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 Providence'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.

14. Consolidated statement of operations and accumulated deficit:

(a) Patients, clients and residents revenues:

	2020	2019
Non-residents of Canada	\$ 16,886	\$ 12,196
Long-term care and extended care	14,601	11,114
Non-residents of BC	14,327	12,787
WorkSafe BC	2,507	2,524
Residents of BC self-pay	2,294	2,551
Preferred accommodation	205	207
Federal government	174	206
Other	1,942	1,729
	\$ 52,936	\$ 43,314

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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14. Consolidated statement of operations and accumulated deficit (continued):

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

	2020	2019
Compensation:		
Compensation	\$ 519,435	\$ 462,388
Employee benefits	111,323	95,462
(Gain) loss on event-driven employee benefits	(2,566)	5,308
	<u>628,192</u>	<u>563,158</u>
Referred out and contracted services:		
Other health authorities and BC government reporting entities (note 16(a))	81,358	68,783
Health and support services providers	39,140	37,742
	<u>120,498</u>	<u>106,525</u>
Supplies:		
Drugs and medical gases	113,034	102,809
Medical and surgical	57,876	56,157
Diagnostic	15,618	15,015
Laundry and linen	1,982	1,654
Printing, stationery and office	1,904	1,891
Food and dietary	1,378	899
Housekeeping	571	547
Other	10,661	10,021
	<u>203,024</u>	<u>188,993</u>
Equipment and building services:		
Equipment	16,895	14,922
Rent	7,707	7,109
Plant operations (utilities)	6,099	5,755
Building and grounds service contracts	1,874	1,668
Other	3,040	2,896
	<u>35,615</u>	<u>32,350</u>
Amortization of tangible capital assets (note 12)	31,585	24,500
Sundry:		
Professional fees	13,022	9,042
Travel	1,769	1,807
Patient transport	1,606	1,514
Communications and data processing	1,269	1,240
Other	14,562	10,142
	<u>32,228</u>	<u>23,745</u>
Loss on disposal of tangible capital asset	3,040	-
Interest on debt and demand loan	1,102	967
	<u>\$ 1,055,284</u>	<u>\$ 940,238</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

15. Supplementary cash flow information:

Net change in non-cash operating items:

	2020	2019
Accounts receivable	\$ (1,672)	\$ (1,096)
Accounts payable and accrued liabilities	29,049	4,258
Deferred operating contributions	10,896	(3,395)
Replacement reserves	(30)	37
Prepaid expenses	(3,865)	332
Inventories held for use	(3,509)	603
	<hr/> \$ 30,869	<hr/> \$ 739

16. Related parties and other agencies:

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

(a) BC government reporting entities:

Providence is related 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. Included in referred out and contracted services expenses, as outlined in note 14(b), are amounts measured at the exchange amount, which is the amount established and agreed to by the related parties. These values may be different from that which would have been arrived at if the parties were unrelated.

(b) Key management personnel and their close family members:

Providence has deemed the Board of Directors and Senior Executive Team to be key management personnel based on the definition in PS 2200, *Related party disclosures*. Key management personnel confirm annually, through the completion of a declaration, whether there are any related party transactions with Providence for themselves and their close family members.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

16. Related parties and other agencies (continued):

(c) St. Paul's Foundation of Vancouver:

Providence has a collaborative relationship with St. Paul's Foundation of Vancouver (the "Foundation"), which supports the activities of Providence and provides services under contracts. The Foundation is a separate legal entity. Providence has the ability to appoint some of the members of the Board of Directors of the Foundation. The Foundation is incorporated under the *Societies Act (British Columbia)*, is a registered charity under the *Income Tax Act* and is formed to raise funds to further the improvement of patient care at the respective sites of Providence. As Providence does not control the Foundation, these consolidated financial statements do not include the financial and non-financial assets and liabilities, and results of operations of the Foundation.

Providence received donations from the Foundation of \$21.2 million (2019 - \$16.0 million) during the year for various facilities and PRCC's operations. In fiscal 2019/2020, PRCC transferred and assigned to the Foundation, by way of gift, its right, title and interest in and to the land located at 2950 Prince Edward Street, Vancouver, British Columbia.

(d) Providence Health Care Research Institute Trust:

Providence Health Care Research Institute Trust (the "Research Institute") is an academic health science centre affiliated with the University of British Columbia and Simon Fraser University. The Research Institute is a separate legal entity and registered charity under the *Income Tax Act*; it was formally launched in 2005 to facilitate and encourage health research at Providence. As at March 31, 2020, the Research Institute includes 500 separate funds, the majority of which are medical research accounts, each with a specific purpose and under the control of an authorized person. The Research Institute funds are not available for use in Providence's activities and accordingly, these consolidated financial statements do not include the financial and non-financial assets and liabilities and results of operations of the Research Institute.

(e) Provincial Health Services Authority:

On June 29, 2018, BC Clinical and Support Services ("BCCSS") amalgamated with Provincial Health Services Authority ("PHSA"). Providence is related to PHSA with respect to the services previously provided by BCCSS. The purpose of BCCSS was to find opportunities for the Health Authorities to improve cost effectiveness by working collaboratively on common services. Providence accesses the services now provided by PHSA through an agreement with VCHA whereby Providence appoints VCHA as its agent in connection with the provision of services. PHSA is a BC government reporting entity (note 16(a)) and transactions with PHSA are included in note 14(b).

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17. Risk management:

Providence is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from Providence's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from Providence'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.

Providence manages credit risk by holding balances of cash and cash equivalents with reputable, top rated financial institutions.

Accounts receivable primarily consists of amounts receivable from the Ministry, other health authorities, and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, Providence 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 \$17.6 million (2019 - \$14.8 million).

Providence 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 Providence will not be able to meet its financial obligations as they become due. It is Providence's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

Providence's principal source of funding is from VCHA and the Ministry through VCHA and VIHA. Providence 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. Providence has complied with the external restrictions on the funding provided.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2020

17. Risk management (continued):

(b) Liquidity risk (continued):

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

2020 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 84,196	\$ -	\$ -	\$ 84,196
Accounts receivable	39,843	-	-	39,843
Total financial assets	\$ 124,039	\$ -	\$ -	\$ 124,039

2020 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 139,254	\$ -	\$ -	\$ 139,254
Debt	267	1,159	8,134	9,560
Demand loan	38,500	-	-	38,500
Total liabilities	\$ 178,021	\$ 1,159	\$ 8,134	\$ 187,314

2019 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 39,516	\$ -	\$ -	\$ 39,516
Accounts receivable	37,533	-	-	37,533
Total financial assets	\$ 77,049	\$ -	\$ -	\$ 77,049

2019 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 108,770	\$ -	\$ -	\$ 108,770
Debt	267	1,159	8,402	9,828
Demand loan	29,000	-	-	29,000
Total liabilities	\$ 138,037	\$ 1,159	\$ 8,402	\$ 147,598

The demand loan is payable to VCHA and VCHA provides principal source of funding for Providence through the ongoing annual operating grants received from the Ministry.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

17. Risk management (continued):

(c) Foreign exchange risk:

Providence's operating results and financial position are reported in Canadian dollars. As Providence operates in an international environment, some of Providence's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of Providence's operations are subject to currency transaction and translation risks.

Providence makes payments denominated in US dollars and other currencies. The currency 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

Providence 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.

There has been no change to the risk exposure from the prior period.

18. Budget figures:

The preliminary budget, as approved by the Board of Directors, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The reallocations were approved by Providence's Board of Directors on September 25, 2019. The changes are as follows:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 591,000	\$ (2,300)	\$ 588,700
Recoveries from other health authorities and BC government reporting entities	584	102,700	103,284
Pharmacare	106,000	8,100	114,100
Medical Services Plan	62,800	1,300	64,100
Patients, clients and residents	45,016	(2,100)	42,916
Amortization of deferred capital contributions	24,310	5,000	29,310
Vancouver Island Health Authority Contributions	10,712	-	10,712
Interest income	30	-	30
Other	117,993	(98,000)	19,993
	958,445	14,700	973,145
Expenses:			
Acute	748,100	11,200	759,300
Corporate	66,329	(3,700)	62,629
Long-term care	73,016	3,600	76,616
Mental health and substance use	50,000	4,000	54,000
Community care	21,000	(400)	20,600
	958,445	14,700	973,145
Annual surplus (deficit)	\$ -	\$ -	\$ -

PROVIDENCE HEALTH CARE SOCIETY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

19. Contractual rights:

Providence has contractual rights from various rent and other agreements that have been entered into with various parties within the normal course of operations. The estimated contractual rights under these contracts for the years ending March 31 are as follows:

2021	\$	351
2022		161
2023		143
2024		32
2025		21
Thereafter		258
	\$	966

20. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2020, Providence paid total remuneration of \$3.8 million (2019 - \$3.0 million) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Providence did not pay any remuneration to its Board of Directors.

21. Comparative information:

Certain comparative information has been reclassified to conform to this year's consolidated financial statements presentation.

22. Transfer of St. Joseph's General Hospital:

On April 1, 2019, the Bishop of Victoria assigned its rights and responsibilities for St. Joseph's General Hospital under the Residential Care Services Agreement with VIHA, and the assets, liabilities, contingent liabilities and contractual obligations of St. Joseph's General Hospital, to PRCC. The transfer was undertaken as part of PRCC's residential and community care redevelopment and restructuring strategy. There was no cash consideration provided by PRCC for the transfer, and no restructuring-related costs were incurred.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2020

22. Transfer of St. Joseph's General Hospital (continued):

The following assets and liabilities were transferred to PRCC on the restructuring date of April 1, 2019:

Assets:

Cash and cash equivalents	\$ 5,268
Accounts receivable	638
Prepaid expenses	9
Inventories held for use	21
Tangible capital assets	10,799
	<hr/> 16,735

Liabilities:

Accounts payable and accrued liabilities	1,435
Deferred operating contributions	74
Retirement allowance	836
Deferred capital contributions	14,808
	<hr/> 17,153

Restructuring loss from transfer	\$ (418)
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The fiscal 2019/2020 revenues and expenses of St. Joseph's General Hospital that are included in these consolidated financial statements are as follows:

Revenues:

Recoveries from other health authorities and BC government reporting entities	\$ 964
Patients, clients and residents	3,137
Amortization of deferred capital contributions	1,929
Vancouver Island Health Authority contributions	10,717
Interest income	214
	<hr/> 16,961

Expenses:

Corporate	699
Long-term care	16,034
	<hr/> 16,733

Annual surplus	\$ 228
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PROVIDENCE HEALTH CARE SOCIETY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2020

23. Subsequent events:

- (a) In partnership with the BC Government and VCHA, Providence plans to construct the new St. Paul's Hospital at the Station Street site, and is in the process of selling the existing hospital site at 1081 Burrard Street. An offer for the sale of the existing hospital site is in the process of being finalized and is expected to be completed in fiscal 2020/2021.
- (b) Effective April 1, 2020, PRCC will operate independently from Providence and continue its work as a distinct faith-based, non-profit organization providing compassionate residential and community care to the seniors' population. The following balances and operations of PRCC are included as part of Providence's consolidated financial statements as at March 31, 2020:

Assets	\$	18,881
Liabilities		18,615
Accumulated surplus		266
Revenues		20,447
Expenses		19,773

24. Impact of COVID-19:

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 and organizations in BC are continuing to respond to COVID-19 by creating capacity in the system to handle the crisis. The potential impacts to Providence for fiscal 2020/21 are being assessed, but the nature and amount is still to be determined.