

Consolidated Financial Statements of

PROVINCIAL HEALTH SERVICES AUTHORITY

Year ended March 31, 2022

**Provincial Health Services Authority
Management Report**

The consolidated financial statements of the Provincial Health Services Authority (the “Authority”) were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated financial statements, and include amounts based upon management’s best estimates and judgments. The accounting principles of the financial reporting framework were consistently applied. In management’s opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 2, 2022.

Management is responsible for the integrity of the consolidated financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors has established an Audit Committee to provide oversight in the fulfillment by management of these responsibilities. The Audit Committee, comprising directors who are not employees, meets with management, internal assurance staff and external auditors with regard to the proper discharge of management’s responsibilities with respect to consolidated financial statement presentation, disclosure and recommendations on internal control.

The internal assurance function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee.

The consolidated financial statements have been examined by PricewaterhouseCoopers LLP, the Authority’s independent external auditors. The external auditors’ responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, comply with the *Budget Transparency and Accountability Act* of the Province of British Columbia in presenting the Authority’s financial position, results of operations, changes in net debt and cash flows in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated financial statements. Their Auditor’s Report, which follows, outlines the scope of their examination and their opinion.



Dr. David Byres
President and Chief Executive Officer



Michael Lord
Vice President, Finance and
Chief Financial Officer

Vancouver, BC

June 2, 2022



Independent auditor's report

To the Board of Directors of Provincial Health Services Authority and the Minister of Health, Province of British Columbia

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Provincial Health Services Authority and its subsidiaries (together, the Authority) as at March 31, 2022 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Authority's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2022;
- the consolidated statement of operations and accumulated operating surplus 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;
- the consolidated statement of rereasurement gains and losses for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

PricewaterhouseCoopers LLP
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Emphasis of matter – basis of accounting

We draw attention to note 1 to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 20 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting requirements 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the British Columbia Societies Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 3, 2022

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents (note 2)	\$ 245,424	\$ 179,582
Portfolio investments (note 3)	187	556
Accounts receivable (note 4)	465,786	520,616
Inventories held for sale (note 5)	447,457	260,143
Long-term disability and health and welfare benefits (note 11(b))	106	327
	<u>1,158,960</u>	<u>961,224</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	655,273	616,146
Deferred operating contributions (note 7)	27,367	34,261
Deferred research and designated contributions (note 8)	56,349	53,266
Short-term debt (note 10(a))	-	30,500
Long-term debt (note 10(b))	243,528	247,306
Retirement allowance (note 11(a))	116,002	111,843
Deferred capital contributions (note 12)	1,562,249	1,421,599
	<u>2,660,768</u>	<u>2,514,921</u>
Net debt	<u>\$ (1,501,808)</u>	<u>\$ (1,553,697)</u>
Non-financial assets		
Tangible capital assets (note 13)	\$ 1,758,345	\$ 1,720,201
Inventories held for use (note 14)	47,674	45,742
Prepaid expenses	30,468	122,090
	<u>1,836,487</u>	<u>1,888,033</u>
Accumulated surplus		
Accumulated operating surplus	\$ 334,678	\$ 333,867
Accumulated remeasurement gains	1	469
	<u>\$ 334,679</u>	<u>\$ 334,336</u>

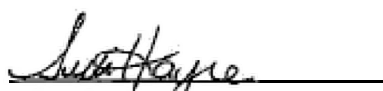
Commitments and contingencies (note 15)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director and Chair of the Board



Director

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2022

	2022 Budget (note 1(n))	2022	2021
Revenues:			
Ministry of Health contributions	\$ 2,930,495	\$ 3,192,503	\$ 3,274,101
Recoveries from other health authorities and BC government reporting entities	627,494	754,150	712,812
Medical Services Plan	229,696	253,990	227,988
Other contributions (note 16(a))	107,978	117,223	124,075
Amortization of deferred capital contributions (note 12)	111,018	102,634	96,757
Research and designated contributions (note 8)	102,062	100,507	87,288
Other (note 16(b))	35,589	39,249	42,409
Patients, clients and residents (note 16(c))	13,652	19,604	17,370
Pharmacare	5,550	4,460	4,799
Investment income	2,238	3,053	1,173
	4,165,772	4,587,373	4,588,772
Expenses (note 16(d)):			
Acute	2,717,662	2,824,799	2,628,455
Corporate	800,019	1,022,961	983,380
Population health and wellness	214,671	278,014	269,258
Mental health and substance use	218,268	221,735	211,230
Community care	208,083	227,893	218,749
Residential care	7,069	11,160	10,255
	4,165,772	4,586,562	4,321,327
Annual operating surplus	\$ -	\$ 811	\$ 267,445
Accumulated operating surplus, beginning of year	333,867	333,867	66,422
Accumulated operating surplus, end of year	\$ 333,867	\$ 334,678	\$ 333,867

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

	2022 Budget (note 1(n))	2022	2021
Annual operating surplus	\$ -	\$ 811	\$ 267,445
Acquisition of tangible capital assets	(146,101)	(150,501)	(211,145)
Amortization of tangible capital assets	120,778	112,163	106,454
Net book value of tangible capital assets transferred to other Health Authorities	-	61	12,162
Net book value of disposed tangible capital assets	-	133	186
	(25,323)	(37,333)	175,102
Acquisition of inventories held for use	-	(303,751)	(289,357)
Acquisition of prepaid expenses	-	(171,316)	(256,044)
Consumption of inventories held for use	-	301,819	281,065
Use of prepaid expenses	-	262,938	156,398
	-	89,690	(107,938)
Net remeasurement gains	-	(468)	390
(Increase) decrease in net debt	(25,323)	51,889	67,554
Net debt, beginning of year	(1,553,697)	(1,553,697)	(1,621,251)
Net debt, end of year	\$ (1,579,020)	\$ (1,501,808)	\$ (1,553,697)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2022

	2022	2021
Cash flows from (used in) operating activities:		
Annual operating surplus	\$ 811	\$ 267,445
Items not involving cash:		
Amortization of deferred capital contributions	(102,634)	(96,757)
Amortization of tangible capital assets	112,163	106,454
Net book value of disposed tangible capital assets	133	186
Write-down of inventories held for sale	10,044	64,660
Retirement allowance expense	14,294	13,137
Long-term disability and health and welfare benefits expense	53,329	41,093
Interest income	(3,053)	(1,173)
Gain on sale of portfolio investments	(1,620)	-
	83,467	395,045
Net change in non-cash operating items (note 17)	(10,723)	(437,846)
Retirement allowance benefits paid	(10,135)	(8,040)
Long-term disability and health and welfare benefits contributions	(53,108)	(50,923)
Interest received	2,954	1,288
Net change in cash from (used in) operating activities	12,455	(100,476)
Capital activities:		
Acquisition of tangible capital assets	(150,501)	(211,145)
Net change in cash used in capital activities	(150,501)	(211,145)
Investing activities:		
Proceeds from sale of portfolio investments	1,620	-
Net change in cash used from investing activities	1,620	-
Financing activities:		
Proceeds on issuance of debt	-	30,500
Repayment of debt	(34,278)	(3,415)
Capital contributions	236,546	246,436
Net change in cash from financing activities	202,268	273,521
Increase (decrease) in cash and cash equivalents	65,842	(38,100)
Cash and cash equivalents, beginning of year	179,582	217,682
Cash and cash equivalents, end of year	\$ 245,424	\$ 179,582

Supplementary cash flow information (note 17)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2022

	2022	2021
Accumulated remeasurement gains, beginning of year	\$ 469	\$ 79
Unrealized gains attributable to portfolio investments	1,152	390
Realized gain on sale of portfolio investments	(1,620)	-
Accumulated remeasurement gains, end of year	\$ 1	\$ 469

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

Provincial Health Services Authority (the “Authority” or “PHSA”) was created under the *Society 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 not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Authority programs provide care and services through specialized hospitals and centres across BC. The Authority is also responsible for specialized health services, which are delivered across the province in collaboration with regional health authorities.

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.

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which 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 Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the consolidated statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 20.

(b) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, revenues and expenses of Forensic Psychiatric Services Commission and BC Emergency Health Services. These entities are controlled by the Authority and are fully consolidated in these consolidated financial statements. Inter-entity transactions, balances and activities have been eliminated on consolidation.

The Authority and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Authority. The Authority's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements (note 9(a)).

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 consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (note 18(b)).

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and demand deposits.

(d) Portfolio investments:

Portfolio investments are shares of publicly traded companies. Shares of publicly traded companies are recorded at fair value. These shares were received by the Authority at \$nil cost as consideration in intellectual property licensing transactions. Any changes in fair value are recognized in the consolidated statement of remeasurement gains and losses.

(e) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the consolidated statement of operations.

(f) Inventories held for sale:

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

(g) Employee benefits:

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

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefit plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 12 years (2021 – 11 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits are recognized immediately.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

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

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

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

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

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(h) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

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

Asset	Basis
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(h) 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 consolidated 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. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items. Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

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

(i) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority is funded primarily by the Province in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

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

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(i) Revenue recognition (continued):

Volunteers contribute a significant amount of their time each year to assist the Authority in carrying out its programs and services. Contributed services are not recognized in these financial statements.

Contributions of assets 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 contribution of land, are recorded as revenue in the period of acquisition or transfer of title.

(j) 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 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 and inventory, the estimated useful lives of tangible capital assets, contingent liabilities, the future costs to settle employee benefit obligations, and certain amounts in public-private partnership projects.

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.

(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 and 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 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.

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

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

for valuation allowance. All debt and other financial liabilities are recorded using cost or amortized cost.

Unrealized gains and losses from changes in the fair value of equity instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

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 is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Authority.

The asset cost includes development and financing fees estimated at fair value, which requires 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. When available for operations, the project assets are amortized over their estimated useful lives.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

1. Significant accounting policies (continued):

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

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partner's operating costs, financing costs and a return of their capital.

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2021/2022 Budget approved by the Board of Directors. The budget is reflected in the consolidated statement of operations and accumulated operating surplus and the consolidated statement of changes in net debt.

2. Cash and cash equivalents:

	2022	2021
Cash and cash equivalents	\$ 244,780	\$ 178,805
Restricted cash	644	777
	<u>\$ 245,424</u>	<u>\$ 179,582</u>

Restricted cash is related to patient trust accounts.

3. Portfolio investments:

Portfolio investments consist of shares of publicly traded companies recorded at fair value. Fair value of shares is determined with reference to the market price quoted in an active market. These shares were received by the Authority at \$nil cost as consideration in intellectual property licensing transactions.

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Notes to Consolidated Financial Statements
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Year ended March 31, 2022

4. Accounts receivable:

	2022	2021
Drug rebates	\$ 161,626	\$ 166,586
Other health authorities and BC government reporting entities	116,381	132,666
Ministry of Health	112,477	126,595
Patients, clients and residents	25,295	24,617
Medical Services Plan	22,416	23,449
Other grantors	17,294	23,887
Foundations and auxiliaries	15,651	17,341
Federal government	14,513	12,185
Other	12,087	22,098
	497,740	549,424
Allowance for doubtful accounts	(31,954)	(28,808)
	\$ 465,786	\$ 520,616

5. Inventories held for sale:

Inventories held for sale consists of pharmaceuticals, medical supplies and personal protective equipment (PPE). During the year ended March 31, 2022, the Authority wrote off \$10,044 (2021 – \$64,660) of PPE.

6. Accounts payable and accrued liabilities:

	2022	2021
Trade accounts payable and accrued liabilities	\$ 401,165	\$ 395,840
Salaries and benefits payable	159,526	134,720
Accrued vacation pay	90,253	81,259
Long-term accounts payable	3,684	3,550
Patient trust funds	645	777
	\$ 655,273	\$ 616,146

Long-term accounts payable are obligations related to the construction of Abbotsford Regional Hospital and Cancer Centre.

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7. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry of Health and other sources in the form of externally restricted operating funding received for various programs and initiatives. These include funding to support costs arising from the Clinical and System Transformation, the Centre for Mental Health and Addictions development, eHealth/Panorama initiatives, the Forensic Greenhouse project, Provincial Blood Coordinating Office initiatives, the Stroke Strategy initiative, and other Ministry directed initiatives.

	2022	2021
Deferred operating contributions, beginning of year	\$ 34,261	\$ 39,636
Contributions received during the year	-	-
Transferred to deferred capital contributions	(6,799)	(5,226)
Amounts recognized as revenue in the year	(95)	(149)
Deferred operating contributions, end of year	\$ 27,367	\$ 34,261

8. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research, Canadian Cancer Society, Genome Canada, Terry Fox Research Institute, National Institutes of Health, foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2022	2021
Deferred research and designated contributions, beginning of year	\$ 8,069	\$ 5,510
Contributions received during the year	16,036	16,496
Amounts to be received in future periods	4,478	3,163
Transferred to deferred capital contributions	(1,449)	(60)
Amounts recognized as revenue in the year	(19,496)	(17,040)
Deferred research and designated contributions, end of year	\$ 7,638	\$ 8,069

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8. Deferred research and designated contributions (continued):

Other contributions	2022	2021
Deferred research and designated contributions, beginning of year	\$ 45,197	\$ 42,106
Contributions received during the year	75,074	56,431
Amounts to be received in future periods	15,004	22,689
Transferred to deferred capital contributions	(5,553)	(5,781)
Amounts recognized as revenue in the year	(81,011)	(70,248)
Deferred research and designated contributions, end of year	\$ 48,711	\$ 45,197
	2022	2021
Government transfers	\$ 7,638	\$ 8,069
Other contributions	48,711	45,197
Balance, end of year	\$ 56,349	\$ 53,266

9. Government Partnerships:

(a) ARHCC Inc.:

As described in note 1(b), the Authority has a 15% interest in ARHCC Inc., which is recorded on a proportional consolidation basis in the Authority's consolidated financial statements. The following is the condensed supplementary financial information of ARHCC Inc. as at and for the years ended March 31:

	2022	2021
Financial assets	\$ 162,511	\$ 161,729
Liabilities	405,181	414,021
Net debt	242,670	252,292
Non-financial assets	245,251	254,873
Accumulated surplus	2,581	2,585
Revenues	61,284	62,142
Expenses	61,284	62,142

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9. Government Partnerships (continued):

(b) Clinical & Systems Transformation (CST):

CST is a multi-year project designed to improve the safety, quality and consistency of patient care across three British Columbia health organizations: Vancouver Coastal Health (VCH), Providence Health Care (PHC) and PHSA. CST will support the health organizations in establishing common clinical and process standards, including workflows, order sets, clinical guidelines, integrated plans of care and a common electronic health record.

The project is jointly controlled by VCH and PHSA, whereby capital and operating costs are allocated between VCH and PHSA based on identifiable cost drivers. If no cost drivers can be identified, then 75% of the shared costs will be allocated to VCH and 25% of the shared costs will be allocated to PHSA. This arrangement is considered "Assets under shared control" under *PS 3060 – Interest in Partnerships*, and therefore, PHSA records its proportionate share of CST costs based on its 25% allocation where costs are not specifically identifiable to PHSA.

As at March 31, 2022, \$166,000 (2021 - \$134,000) representing PHSA's allocated capital costs is recorded in Equipment and information systems in progress (note 13), and \$161,000 (2021 - \$131,000) representing PHSA's portion of deferred capital funding from the Ministry of Health is recorded in Deferred Capital Contributions (note 12). PHSA has not started amortizing the system asset as of March 31, 2022 as the project is not yet substantially complete.

Included in other expenses for the year ended March 31, 2022 is \$40,000 (2021 - \$31,000) related to project operating costs.

10. Debt:

(a) Short Term Debt:

During the year ended March 31, 2021, PHSA entered into a Loan Agreement with the Province to fund the purchase of PPE and supplies in relation to the Asset Purchase and Services Agreements ("APSAs") (note 18(c)). These loans were issued in multiple tranches and comprised of short term promissory note borrowings in aggregate of \$30,500. The loans were repaid in full on September 8, 2021.

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10. Debt (continued):

(b) Long Term Debt:

	2022	2021
P3:		
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in accordance with the project agreement terms including annual interest of 7.75%	\$ 52,910	\$ 53,851
BC Cancer Centre for the North, 30 year contract to September 2042 with Plenary Health Prince George GP, payable in monthly payments of \$117 including annual interest of 8.09% in accordance with the project agreement terms	15,591	15,722
Phase 2 BC Children's and BC Women's Redevelopment Project, 30 year contract to June 2047 with Affinity Partnerships, payable in monthly payments of \$1,195 including annual interest of 6.61% in accordance with the project agreement terms	175,027	177,733
	<hr/> \$ 243,528	<hr/> \$ 247,306

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 15(c).

11. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more 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, 2021 and extrapolated to March 31, 2022 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2022 are derived. The next expected valuation will be as of December 31, 2022.

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Year ended March 31, 2022

11. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2022	2021
Accrued benefit obligation:		
Severance benefits	\$ 92,734	\$ 82,188
Sick leave benefits	44,503	42,652
	137,237	124,840
Unamortized actuarial loss	(21,235)	(12,997)
Accrued benefit liability	\$ 116,002	\$ 111,843

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

	2022	2021
Accrued benefit liability, beginning of year	\$ 111,843	\$ 106,746
Net benefit expense:		
Current service cost	8,841	7,817
Interest expense	4,028	4,434
Amortization of actuarial loss	1,425	886
Net benefit expense	14,294	13,137
Benefits paid	(10,135)	(8,040)
Accrued benefit liability, end of year	\$ 116,002	\$ 111,843

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11. Employee benefits (continued):

(a) Retirement allowance:

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

	2022	2021
Accrued benefit obligation as at March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.14%	3.79%
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 and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Authority and other provincially funded organizations.

The Authority and all other participating employers are jointly responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

The Trust is a multiple employer plan, with the Authority'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, the Authority's net Trust liabilities (assets) are reflected in these consolidated financial statements.

The Authority's assets as of March 31, 2022 are based on the actuarial valuation at December 31, 2021, extrapolated to March 31, 2022. The next expected valuation will be as of December 31, 2022.

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11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2022	2021
Accrued benefit obligation	\$ 116,197	\$ 101,380
Fair value of plan assets	(116,303)	(101,707)
Net asset	\$ (106)	\$ (327)
	2022	2021
Long-term disability and health and welfare benefits (asset) / liability, beginning of year	\$ (327)	\$ 9,503
Net benefit expense:		
Health and welfare benefit expense	31,209	31,668
Actuarial loss/(gain)	9,586	(2,929)
Long-term disability expense	13,594	12,433
Interest expense	5,327	5,316
Non-employer contributions	(882)	(463)
Expected return on assets	(5,505)	(4,932)
Net benefit expense	53,329	41,093
Contributions to the plan	(53,108)	(50,923)
Long-term disability and health and welfare benefits (asset), end of year	\$ (106)	\$ (327)
Benefits paid to claimants	\$ 46,384	\$ 39,299
Plan assets consist of:		
	2022	2021
Debt securities	42%	39%
Foreign equities	36	35
Canadian equities and other	22	26
Total	100%	100%

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11. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2022	2021
Accrued benefit obligation as at March 31:		
Discount rate	5.10%	5.30%
Rate of benefit increase	2.00%	2.00%
Benefit costs for years ended March 31:		
Discount rate	5.10%	5.30%
Rate of compensation increase	2.00%	2.00%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.10%	5.30%

Actual rate of return on plan assets was 8.83% (2021 – 9.17%).

(c) Joint benefit trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2022, the Authority made contributions to these joint benefit trusts totaling \$35,113 (2021 - \$31,718).

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11. Employee benefits (continued):

(d) 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*, and to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan.

Employer contributions to the Municipal Pension Plan of \$99,629 (2021 – \$97,117) 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 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 220,000 active members, of which approximately 15,200 are employees of the Authority (2021 – 14,200). The next expected valuation will be as of December 31, 2021, with results available in 2022.

Employer contributions to the Public Service Pension Plan of \$24,934 (2021 – \$24,628) 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, 2020 indicated a funding surplus of approximately \$2,667 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 68,000 active members, of which approximately 4,300 are employees of the Authority (2021 – 4,300). The next actuarial valuation will be as of March 31, 2023, with results available in 2024.

The Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan is a single employer defined contribution plan. Employer contributions to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan of \$4,360 were expensed during the year (2021 – \$3,939). As at March 31, 2022, the plan covered approximately 2,346 (2021 – 1,910) active members, all of which are employees of the BC Emergency Health Services.

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12. Deferred capital contributions:

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

	2022	2021
Deferred capital contributions, beginning of year	\$ 1,421,599	\$ 1,278,856
Capital contributions received:		
Ministry of Health	230,413	228,344
Foundations and auxiliaries	4,813	21,762
Other	8,119	1,556
	243,345	251,662
Transfer of tangible capital assets to other Health Authorities	(61)	(12,162)
Amortization for the year	(102,634)	(96,757)
Deferred capital contributions, end of year	\$ 1,562,249	\$ 1,421,599

Deferred capital contributions comprise the following:

	2022	2021
Contributions used to purchase tangible capital assets	\$ 1,387,136	\$ 1,339,925
Unspent contributions	175,113	81,674
	\$ 1,562,249	\$ 1,421,599

13. Tangible capital assets:

Cost	2021	Additions	Disposals	Transfers	2022
Land	\$ 143,780	\$ -	\$ -	\$ -	\$ 143,780
Land improvements	8,598	-	-	-	8,598
Buildings	1,407,429	732	-	131,582	1,539,743
Equipment	596,842	38,995	(16,375)	20,570	640,032
Information systems	309,394	890	(1,540)	25,029	333,773
Leasehold improvements	61,406	74	-	204	61,684
Vehicles	97,659	15,496	(5,813)	-	107,342
Construction in progress	155,801	42,212	-	(152,635)	45,378
Equipment and information systems in progress (note 9(b))	179,919	52,102	-	(24,811)	207,210
Total	\$2,960,828	\$ 150,501	\$ (23,728)	\$ (61)	\$3,087,540

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13. Tangible capital assets (continued):

Accumulated amortization	2021	Amortization	Disposals	Transfers	2022
Land improvements	\$ 4,506	\$ 625	\$ -	\$ -	\$ 5,131
Buildings	451,001	39,702	-	-	490,703
Equipment	414,726	42,756	(16,280)	-	441,202
Information systems	274,244	17,269	(1,540)	-	289,973
Leasehold improvements	36,129	2,791	-	-	38,920
Vehicles	60,021	9,020	(5,775)	-	63,266
Total	\$1,240,627	\$ 112,163	\$ (23,595)	\$ -	\$1,329,195

Cost	2020	Additions	Disposals	Transfers	2021
Land	\$ 143,780	\$ -	\$ -	\$ -	\$ 143,780
Land improvements	8,598	-	-	-	8,598
Buildings	1,299,644	259	-	107,526	1,407,429
Equipment	556,644	39,078	(15,627)	16,747	596,842
Information systems	290,183	5,499	(107)	13,819	309,394
Leasehold improvements	56,938	-	-	4,468	61,406
Vehicles	88,347	11,939	(2,627)	-	97,659
Construction in progress	188,220	107,424	-	(139,843)	155,801
Equipment and information systems in progress	147,889	46,946	-	(14,916)	179,919
Total	\$2,780,243	\$ 211,145	\$ (18,361)	\$ (12,199)	\$2,960,828

Accumulated amortization	2020	Amortization	Disposals	Transfers	2021
Land improvements	\$ 3,880	\$ 626	\$ -	\$ -	\$ 4,506
Buildings	414,776	36,225	-	-	451,001
Equipment	390,451	39,805	(15,493)	(37)	414,726
Information systems	256,297	18,055	(108)	-	274,244
Leasehold improvements	33,025	3,104	-	-	36,129
Vehicles	53,956	8,639	(2,574)	-	60,021
Total	\$1,152,385	\$ 106,454	\$ (18,175)	\$ (37)	\$1,240,627

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13. Tangible capital assets (continued):

Net book value	2022	2021
Land	\$ 143,780	\$ 143,780
Land improvements	3,467	4,092
Buildings	1,049,040	956,428
Equipment	198,830	182,116
Information systems	43,800	35,150
Leasehold improvements	22,764	25,277
Vehicles	44,076	37,638
Construction in progress	45,378	155,801
Equipment and information systems in progress	207,210	179,919
Total	\$ 1,758,345	\$ 1,720,201

Tangible capital assets are funded as follows:

	2022	2021
Deferred capital contributions	\$ 1,385,388	\$ 1,339,925
Debt	247,212	250,856
Internally funded	125,745	129,420
Tangible capital assets	\$ 1,758,345	\$ 1,720,201

14. Inventories held for use:

	2022	2021
Pharmaceuticals	\$ 46,761	\$ 44,855
Medical supplies	913	887
	\$ 47,674	\$ 45,742

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15. Commitments and contingencies:

(a) Contractual obligations:

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

2023	\$	233,309
2024		35,280
2025		27,542
2026		19,304
2027		14,315
Thereafter		225,043
	\$	554,793

(b) Operating leases:

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

2023	\$	40,412
2024		37,410
2025		31,841
2026		25,267
2027		16,087
Thereafter		57,316
	\$	208,333

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15. Commitments and contingencies (continued):

(c) Public-private partnerships commitments:

ARHCC Inc. entered into a multi-year P3 contract with the private sector partner Access Health Abbotsford Ltd. (“AHA”). Under the agreement, AHA designed, constructed, financed and will maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province for the payment obligations to AHA.

BCCA entered into a multi-year P3 contract with the private sector partner Plenary Health Prince George GP (“Plenary Health”) to build the BC Cancer Agency Centre for the North in Prince George, BC. Under the agreement, Plenary Health designed, constructed, financed and will maintain the facilities until the end of the term of the agreement in September 2042. Payment guarantees have been provided by the Province for the payment obligations to Plenary Health.

Children’s & Women’s Health Centre of British Columbia entered into a multi-year P3 contract with the private sector partner Affinity Partnerships. Under the agreement, Affinity Partnerships will design, construct, partially finance and maintain the Teck Acute Care Centre until the end of the term of the agreement in June 2047. Payment guarantees have been provided by the Province for the payment obligations to Affinity Partnerships.

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. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 10. FM and lifecycle payments to the private partners are contingent on specified performance criteria and include an estimation of inflation, where applicable.

	Capital and financing	FM and lifecycle	Total payments
2023	\$ 21,333	\$ 14,437	\$ 35,770
2024	21,454	15,317	36,771
2025	21,573	15,429	37,002
2026	21,533	16,519	38,052
2027	21,636	18,057	39,693
Thereafter	386,974	456,212	843,186
	\$ 494,503	\$ 535,971	\$ 1,030,474

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15. Commitments and contingencies (continued):

(c) Public-private partnerships commitments (continued):

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2023	\$	4,119
2024		4,483
2025		4,943
2026		5,405
2027		5,903
Thereafter		218,675
	\$	243,528

(d) 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, 2022, 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 a 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.

16. Statement of operations:

(a) Other contributions:

	2022	2021
Other health authorities	\$ 78,982	\$ 78,971
Foundations and auxiliaries	30,461	28,628
Other ministries	3,999	3,990
Federal government	729	10,010
Other	3,052	2,476
	\$ 117,223	\$ 124,075

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16. Statement of operations (continued):

(b) Other revenues:

	2022	2021
Recoveries from sales of goods and services	\$ 35,782	\$ 38,835
Drug sales	1,320	1,494
Other	2,147	2,080
	<u>\$ 39,249</u>	<u>\$ 42,409</u>

(c) Patients, clients and residents:

	2022	2021
Non-residents of BC	\$ 9,452	\$ 9,827
Non-residents of Canada	3,287	3,300
Residents of BC self pay	3,231	1,347
Federal government	1,162	1,307
Preferred accommodation	524	315
Workers' Compensation Board	283	61
Other	1,665	1,213
	<u>\$ 19,604</u>	<u>\$ 17,370</u>

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16. Statement of operations (continued):

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

	2022	2021
Compensation:		
Compensation	\$ 1,645,501	\$ 1,528,701
Employee benefits	380,575	339,350
Actuarial loss/(gain) on event-driven employee benefits	9,586	(2,929)
	<u>2,035,662</u>	<u>1,865,122</u>
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	625,622	617,461
Health and support services providers and other	266,673	273,648
	<u>892,295</u>	<u>891,109</u>
Supplies:		
Drugs and medical gases	338,376	318,304
Medical and surgical	92,750	89,536
Diagnostic	49,878	42,433
Food and dietary	5,702	4,794
Printing, stationery and office	5,527	4,528
Laundry and linen	4,548	3,989
Housekeeping	1,344	1,557
Other	33,777	25,347
	<u>531,902</u>	<u>490,488</u>
Cost of inventories sold to other health authorities and BC government reporting entities	377,895	343,031
Equipment and building services:		
Equipment	230,550	217,016
Rent	73,949	61,059
Plant operations (utilities)	12,699	10,871
Building and grounds service contracts	16,253	10,022
	<u>333,451</u>	<u>298,968</u>
Sundry:		
Professional fees	104,747	80,246
Travel	11,588	5,800
Communication and data processing	8,950	9,582
Patient transport	1,247	998
Other	48,695	59,864
	<u>175,227</u>	<u>156,490</u>
Amortization of tangible capital assets	112,163	106,454
Research and designated expenses	100,507	87,288
Interest on debt	17,283	17,531
Write-down of inventory held for sale	10,044	64,660
Net book value of disposed tangible capital assets	133	186
	<u>\$ 4,586,562</u>	<u>\$ 4,321,327</u>

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2022

17. Supplementary cash flow information:

Net change in non-cash operating items:

	2022	2021
Accounts receivable	\$ 54,830	\$ (125,842)
Inventories held for sale	(197,358)	(299,527)
Accounts payable and accrued liabilities	39,127	89,960
Deferred operating contributions	(95)	(149)
Deferred research and designated contributions	3,083	5,650
Inventories held for use	(1,932)	(8,292)
Prepaid expenses	91,622	(99,646)
	<hr/>	<hr/>
	\$ (10,723)	\$ (437,846)

18. Related parties and other agencies:

(a) BC government reporting entities:

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

Referred out and contracted services expenses, as outlined in note 16(d) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair market value.

The health authorities provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the consolidated statement of operations and accumulated operating surplus and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the consolidated financial statements approximate fair value.

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18. Related parties and other agencies (continued):

(b) Foundations and auxiliaries:

The following foundations and auxiliaries were established to raise funds for the respective hospitals and/or health services within the Authority. 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 consolidated financial statements of the Authority.

The Authority has the economic relationships with the following foundations and auxiliaries:

BC Cancer Foundation
BCCDC Foundation for Population and Public Health
British Columbia's Children's Hospital Foundation
British Columbia's Women's Hospital and Health Centre Foundation
The Auxiliary to British Columbia's Children's Hospital
British Columbia's Women's Hospital and Health Centre Auxiliary
British Columbia Centre of Excellence for Women's Health Society

During the year, the Authority received contributions of \$77 million (2021 – \$97 million) from the various foundations and auxiliaries.

(c) Asset Purchase and Services Agreements (APSAs)

During the year ended March 31, 2021, PHSA entered into multiple APSAs with the Province of BC (“the Province”), a related party, for an aggregate value of \$30.5 million funded through short term loan agreements with the Province (note 10(a)). The purpose of the APSAs were to transfer PPE and supplies procured by the Province to PHSA in order to sell these goods to “Eligible Organizations” on the BC Supply Hub webpage. Eligible Organizations include first responders, local governments, and public and private social services providers.

During the year end March 31, 2022, the BC Supply Hub was demobilized and the APSA agreements were terminated. All outstanding loans related to these agreements were repaid in full on September 8, 2021.

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19. 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 accounts receivable. The risk exposure is limited to the carrying amounts at the date of the consolidated statement of financial position.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2022, the amount of allowance for doubtful accounts was \$31,954 (2021 – \$28,808).

The Authority is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

(b) Liquidity risk:

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, the Authority has the option to sell its portfolio investments, which can be liquidated without additional cost.

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.

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Notes to Consolidated Financial Statements
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19. Risk management (continued):

(b) Liquidity risk (continued):

All of the Authority's financial assets mature within one year. The tables below show when various financial liabilities mature:

2022				
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 654,091	\$ 1,182	\$ -	\$ 655,273
Long-term debt	4,118	20,734	218,676	243,528
Total financial liabilities	\$ 658,209	\$ 21,916	\$ 218,676	\$ 898,801

2021				
Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 603,951	\$ 12,195	\$ -	\$ 616,146
Short-term debt	30,500	-	-	30,500
Long-term debt	3,748	18,939	224,619	247,306
Total financial liabilities	\$ 638,199	\$ 31,134	\$ 224,619	\$ 893,952

Long-term debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

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

The Authority makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

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Notes to Consolidated Financial Statements
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Year ended March 31, 2022

19. Risk management (continued):

(c) Foreign exchange risk (continued):

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

	2022	2021
US dollar per Canadian dollar	\$ 0.800	\$ 0.795

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.

20. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Authority to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the consolidated financial statements of the Authority is as follows:

As at March 31, 2020	
Increase in accumulated operating surplus	1,231,497
Decrease in deferred capital contributions	(1,231,497)
For the year ended March 31, 2021	
Increase in annual operating surplus	108,428
As at March 31, 2021	
Increase in accumulated operating surplus	1,339,925
Decrease in deferred capital contributions	(1,339,925)
For the year ended March 31, 2022	
Increase in annual operating surplus	47,211
As at March 31, 2022	
Increase in accumulated operating surplus	1,387,136
Decrease in deferred capital contributions	(1,387,136)

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21. BC Societies Act:

Under the Societies Act of British Columbia, the Authority is subject to certain financial statement disclosure requirements. These disclosure requirements include: (a) remuneration paid to the Society's directors, (b) remuneration paid to the ten most highly paid employees and contractors of the Society who were paid at least seventy-five thousand dollars during the period, and (c) any financial assistance provided by the Society during the period that was outside the ordinary course of activities.

(a) Remuneration paid to Directors:

The following table sets out remuneration paid to each member of the Board of Directors for the year ended March 31, 2022:

Board Position	2022
Board Chair	\$ 55
Chair – Audit Committee	25
Chair – Cultural Safety and Humility Committee	22
Chair – Finance and Operations Committee	24
Chair – People and Governance Committee	24
Former Chair – People and Governance Committee, term ended December 31, 2021	19
Chair – Quality and Safety Committee	24
Former Chair – Quality and Safety Committee, term ended May 31, 2021	5
Chair – Research and Academic Development Committee	21
Member	20
Member	19
Member, term ended December 31, 2021	16
	\$ 274

(b) Remuneration paid to highest paid employees and contractors:

The ten most highly remunerated persons whose remuneration was at least seventy-five thousand dollars during the year ended March 31, 2022 received an aggregate of \$7 million from the Authority during that period. All of these individuals are physicians.

(c) Financial assistance:

The Authority did not provide any financial assistance outside the ordinary course of activities during the year ended March 31, 2022.

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22. Significant Event:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. BC's Provincial Health Officer declared a public health emergency on March 17, 2020.

The financial statements of the Authority reflect its response to the pandemic. Events that affect the Authority's operations continued to be addressed through collaboration with and direction from the Ministry. The Authority will continue to respond appropriately to ongoing COVID-19 related issues as necessary and as directed by provincial authorities.

23. Comparative Figures

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