

Financial Statements of

INTERIOR HEALTH AUTHORITY

And Independent Auditors Report thereon

Year ended March 31, 2023



Statement of Management Responsibility

The financial statements of Interior Health Authority (the "Authority") for the year ended March 31, 2023 have been prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

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

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

On behalf of Interior Health Authority

Susan Brown,
President & Chief Executive Officer

Sylvia Weir,
Vice President & Chief Financial Officer

June 20, 2023



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Interior Health Authority, which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and accumulated surplus (deficit) for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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, 2023 of Interior Health Authority 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

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

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



Emphasis of Matter – Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to note 1(p) to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2022, has been restated. Note 1(p) explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

The financial statements for the year ended March 31, 2022, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 16, 2022.

As part of our audit of the financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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 Interior Health 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 Interior Health Authority or to cease operations, or has no realistic alternative but to do so.



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 the Interior Health 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 Interior Health Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Interior Health Authority 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.

KPMG LLP

Chartered Professional Accountants

June 20, 2023
Kelowna, Canada

INTERIOR HEALTH AUTHORITY

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

As at March 31, 2023

	2023	2022
		(Restated - note 1 (p))
Financial assets		
Cash and cash equivalents (note 2)	\$ 226,545	\$ 336,172
Accounts receivable (note 3)	397,392	152,889
Long-term disability and health and welfare benefits (note 7(b)(i))	43,624	59,604
	<u>667,561</u>	<u>548,665</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	427,731	348,041
Deferred operating contributions (note 5)	3,937	11,776
Debt (note 6)	473,829	483,107
Retirement allowance (note 7(a))	122,250	118,400
Deferred capital contributions (note 8)	1,457,130	1,392,382
Asset retirement obligations (note 9)	51,443	50,776
	<u>2,536,320</u>	<u>2,404,482</u>
Net debt	<u>(1,868,759)</u>	<u>(1,855,817)</u>
Non-financial assets		
Tangible capital assets (note 10)	1,839,241	1,822,684
Inventories held for use (note 11)	7,923	7,873
Prepaid expenses (note 12)	15,377	16,749
Restricted assets	235	235
	<u>1,862,776</u>	<u>1,847,541</u>
Accumulated deficit	<u>\$ (5,983)</u>	<u>\$ (8,276)</u>

Commitments and contingencies (note 13)

Contractual rights (note 19)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director
Dr. Doug Cochrane



Director
Cindy Stewart

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2023

	2023 Budget	2023	2022
	(Notes 1(n), 18)		(Restated - note 1(p))
Revenues:			
Ministry of Health contributions	\$ 2,547,623	\$ 2,739,831	\$ 2,528,365
Medical Services Plan	205,217	221,651	214,229
Patients, clients and residents (note 14(a))	117,778	123,905	107,314
Amortization of deferred capital contributions	94,061	100,593	99,639
Recoveries from other health authorities and BC government reporting entities	60,561	69,250	65,550
Other contributions (note 14(b))	42,833	46,814	45,303
Other (note 14(c))	40,658	43,650	35,181
Investment	1,866	9,839	1,765
	<u>3,110,597</u>	<u>3,355,533</u>	<u>3,097,346</u>
Expenses (note 14(d)):			
Acute	1,655,214	1,864,115	1,670,108
Long-term care	559,596	581,206	568,106
Community care	334,601	369,988	336,861
Corporate	237,120	221,842	203,170
Mental health and substance use	235,317	226,303	190,936
Population health and wellness	88,749	89,786	126,591
	<u>3,110,597</u>	<u>3,353,240</u>	<u>3,095,772</u>
Annual surplus	-	2,293	1,574
Accumulated surplus (deficit), beginning of year	(8,276)	(8,276)	38,959
Adoption of asset retirement obligation standard (note 1(p))		-	(48,809)
Accumulated surplus (deficit) as restated	(8,276)	(8,276)	(9,850)
Accumulated deficit end of year	\$ (8,276)	\$ (5,983)	\$ (8,276)

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2023

	2023 Budget	2023	2022
	(Note 1 (n), 18)		(Restated - note 1 (p))
Annual surplus	\$ -	\$ 2,293	\$ 1,574
Acquisition of tangible capital assets	(226,600)	(135,423)	(163,200)
Amortization of tangible capital assets	90,819	118,525	108,765
Net book value of tangible capital assets disposed	-	341	6,514
	(135,781)	(14,264)	(46,347)
Acquisition of inventories held for use	-	(100,039)	(100,349)
Acquisition of prepaid expenses	-	(29,634)	(26,683)
Consumption of inventories held for use	-	99,989	100,827
Use of prepaid expenses	-	31,006	24,854
	-	1,322	(1,351)
Increase in net debt	(135,781)	(12,942)	(47,698)
Net debt, beginning of year, as restated	(1,855,817)	(1,855,817)	(1,758,722)
Adoption of asset retirement obligation standard (note 1(p))	-	-	(49,397)
Net debt, beginning of year, as restated	(1,855,817)	(1,855,817)	(1,808,119)
Net debt, end of year	\$ (1,991,598)	\$ (1,868,759)	\$ (1,855,817)

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023	2022
		(Restated - note 1(p))
Cash flows from (used in) operating activities:		
Annual surplus	\$ 2,293	\$ 1,574
Items not involving cash:		
Amortization of deferred capital contributions	(100,593)	(99,639)
Accretion of asset retirement obligations	667	1,379
Amortization of tangible capital assets	118,525	108,765
Loss on disposal of tangible capital assets	324	6,514
Retirement allowance expense	13,565	11,171
Long-term disability and health and welfare benefits expense	144,574	101,515
Interest income	(9,839)	(1,765)
Interest expense	27,337	20,887
	196,853	150,401
Net change in non-cash operating items (note 15(a))	(164,583)	54,818
Retirement allowance benefits paid	(9,715)	(12,353)
Long-term disability and health and welfare benefits contributions	(128,594)	(121,700)
Interest received	9,839	1,765
Interest paid	(27,339)	(20,892)
Net change in cash from operating activities	(123,539)	52,039
Capital activities:		
Proceeds from disposal of tangible capital assets	17	-
Acquisition of tangible capital assets (note 15(b))	(134,119)	(133,445)
Net change in cash from capital activities	(134,102)	(133,445)
Financing activities:		
Repayment of debt	(10,582)	(7,396)
Capital contributions	158,596	172,814
Net change in cash from financing activities	148,014	165,418
Increase (decrease) in cash and cash equivalents	(109,627)	84,012
Cash and cash equivalents, beginning of year	336,172	252,160
Cash and cash equivalents, end of year	\$ 226,545	\$ 336,172

Supplementary cash flow information (note 15)

See accompanying notes to financial statements.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

Interior Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a registered charity under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well-being of people who live in the Interior region and those referred from outside the region.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all taxpayer-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 elections available to government not-for-profit organizations.

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate of amortization used for the related tangible capital asset. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Authority.

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2023

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC taxpayer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified; and
- deferred contributions meet the definition of a liability.

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

(b) Basis of presentation:

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the financial statements do not include the assets, liabilities and results of operations of these entities (see note 16(c)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on-hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for an allowance for doubtful accounts. 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 the valuation allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Liabilities for closure of operational sites are recognized based on estimated future expenses. Additional liabilities for the removal of asbestos and underground fuel tanks have been recognized based on estimated future expenses. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability is adjusted annually to reflect current market conditions in the estimated costs. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets which are being amortized along with the underlying assets following the depreciation accounting policies outlined in 1(g).

(f) Employee benefits:

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

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

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

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefit is 12 years (2022 – 12 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Employee benefits (continued):

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

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

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

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

(iii) Accumulating, non-vesting benefit plans:

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

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

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

(g) Non-financial assets:

(i) Tangible capital assets:

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

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

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

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

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

(iii) Prepaid expenses:

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

(h) Revenue recognition:

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

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

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

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

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

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) Revenue recognition (continued):

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

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

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

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, timing, duration, and amounts required to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

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

(j) Restricted assets:

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

(k) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the statement of operations.

(l) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for an allowance for doubtful accounts. Portfolio investments, other than equity investments quoted in an active market, are measured at amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(m) Capitalization of public-private partnership projects:

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

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

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

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

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

(n) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority's Fiscal 2022/2023 Budget approved by the Board of Directors on June 13, 2022 and published in the Authority's Service Plan. The budget is reflected in the statement of operations and accumulated operating deficit and the statement of changes in net debt. Note 18 reconciles the approved budget to the budget information reported in these financial statements.

(o) Future accounting standards:

- (i) In June 2018, PSAB issued PS 3400 Revenue which proposes a framework describing two categories of revenue – transactions with performance obligations and transactions with no performance obligations. The new standard applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of the new standard on the financial statements of the Authority.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(p) Adoption of new accounting standard:

- (i) On April 1, 2022, the Authority adopted Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations which addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, including the removal of underground fuel tanks and asbestos removal in buildings owned by the Authority. The standard was adopted using the modified retrospective method using the discount rate in effect on the date of adoption of 3.13%. The liability was measured as of April 1, 1988 when the Provincial Hazardous Waste Regulation came into effect. The Authority reflected the following adjustments as of April 1, 2021 and for the year ended March 31, 2022:
- Increases of \$27.11 million to the buildings capital assets, including additions to buildings and buildings services equipment capital asset account representing estimates of the obligation as of April 1, 1988
 - Increases in buildings accumulated amortization as at March 31, 2022 of \$26.62 million (April 1, 2021 - \$26.51 million) representing amortization that would have been recorded had the retirement obligations been recognized in when the regulation was enacted.
 - An asset retirement obligation in the amount of \$50.78 million (April 1, 2021 - \$49.4 million), representing the obligation as measured at March 31, 2022.
 - A decrease to Accumulated Surplus of \$50.29 as a result of the recognition of the liability as at March 31, 2022 (April 1, 2021 - \$48.81 million).
 - A decrease in surplus for the year ended March 31, 2022 of \$1.49 million (and corresponding increase in corporate expense) from building amortization expense of \$0.11 million and asset retirement accretion expense of \$1.38 million.
 - An increase in net debt of \$50.78 million as at March 31, 2022 (April 1, 2021 - \$49.4 million) as a result of recognition of the retirement obligation.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

2. Cash and cash equivalents:

	2023	2022
Cash and cash equivalents	\$ 226,545	\$ 336,172
Amounts restricted for capital purposes	(177,288)	(144,175)
Amounts restricted for future operating purposes	(3,937)	(11,776)
Amounts restricted for P3 projects	(18,174)	(14,309)
Amounts restricted for patient comfort funds	(345)	(330)
Unrestricted cash and cash equivalents	\$ 26,801	\$ 165,582

3. Accounts receivable:

	2023	2022
Patients, clients and residents	\$ 36,650	\$ 26,303
Other health authorities and BC government reporting entities	28,580	31,137
Medical Services Plan	27,396	24,011
Ministry of Health	232,846	16,231
Regional hospital districts	13,700	17,678
Foundations and auxiliaries	9,009	15,239
Federal government	2,948	2,751
WorkSafeBC	2,070	1,522
Other	63,501	34,504
	416,700	169,376
Allowance for doubtful accounts	(19,308)	(16,487)
	\$ 397,392	\$ 152,889

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

4. Accounts payable and accrued liabilities:

	2023	2022
Salaries and benefits	\$ 209,559	\$ 139,584
Accrued vacation	88,700	82,754
Trade accounts payable and accrued liabilities	129,472	125,703
	<u>\$ 427,731</u>	<u>\$ 348,041</u>

5. Deferred operating contributions:

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

	2023	2022
Deferred operating contributions, beginning of year	\$ 11,776	\$ 3,519
Contributions received	2,169	10,338
Transfers to deferred capital contributions	(6,745)	-
Amount recognized as revenue	(3,263)	(2,081)
Deferred operating contributions, end of year	<u>\$ 3,937</u>	<u>\$ 11,776</u>

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

6. Debt:

	2023	2022
Public-private partnerships:		
Kelowna and Vernon Hospitals Project, 30 year contract to August 2042 with Infusion Health KVH General Partnership, payable in monthly payments including annual interest of 7.62%, in accordance with the project agreement terms	\$ 115,132	\$ 119,150
Interior Heart & Surgical Centre Project, 30 year contract to December 2044 with Plenary Health, payable in monthly payments including annual interest of 5.93%, in accordance with the project agreement terms	68,146	69,644
Penticton Hospital Tower Project, 30 year contract to December 2048 with EllisDon, payable in monthly payments including annual interest of 4.83%, in accordance with the project agreement terms	129,402	131,927
Royal Inland Hospital Tower Project, 30 year contract to February 2052 with EllisDon. Monthly payments include annual interest of 4.88% to commence upon substantial completion of the project in accordance with the terms of the project agreement.	161,149	162,386
	\$ 473,829	\$ 483,107

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

2024	\$ 11,582
2025	12,303
2026	12,632
2027	12,945
2028	13,764
Thereafter	410,603
	\$ 473,829

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Employee benefits:

(a) Retirement allowance:

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

The Authority's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2022 and extrapolated to March 31, 2023 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2023 are derived.

Information about retirement allowance benefits is as follows:

	2023	2022
Accrued benefit obligation:		
Severance benefits	\$ 78,934	\$ 76,801
Sick leave benefits	51,539	49,520
	<u>130,473</u>	<u>126,321</u>
Unamortized actuarial gain	(8,223)	(7,921)
Accrued benefit liability	<u>\$ 122,250</u>	<u>\$ 118,400</u>

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

	2023	2022
Accrued benefit liability, beginning of year	\$ 118,400	\$ 119,582
Net benefit expense:		
Current service cost	10,032	9,112
Interest expense	4,056	3,683
Amortization of actuarial gain	(523)	(1,624)
Net benefit expense	<u>13,565</u>	<u>11,171</u>
Benefits paid	(9,715)	(12,353)
Accrued benefit liability, end of year	<u>\$ 122,250</u>	<u>\$ 118,400</u>

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase (2022)	4.17%	2.50%
Rate of compensation increase (2023)	7.00%	2.50%
Rate of compensation increase (2024)	3.00%	2.50%
Rate of compensation increase thereafter	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health and dental claims for certain employee groups of the Authority and other provincially-funded organizations.

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

(i) Long-term disability and employee life and health benefits:

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with respect to all benefits. Accordingly, the Authority's net trust assets are reflected in these financial statements.

The Authority's net asset as of March 31, 2023 is based on the actuarial valuation at December 31, 2022, extrapolated to March 31, 2023. The next expected valuation is as of December 31, 2023.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

The long-term disability and employee life and health benefits net asset reported on the statement of financial position is as follows:

	2023	2022
Fair value of plan assets	\$ 232,003	\$ 245,969
Accrued benefit obligation	188,379	186,365
Net funded (asset) liability	\$ (43,624)	\$ (59,604)

	2023	2022
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Long-term disability and employee life and health benefits asset, beginning of year:	\$ (59,604)	\$ (39,420)
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Net benefit expense:

Long-term disability expense	27,530	24,511
Health and welfare benefit expense	34,235	28,442
Interest expense	9,505	9,664
Actuarial (gain) loss	26,028	(2,816)
Employee payments	(1,504)	(1,375)
Expected return on assets	(12,567)	(11,933)
Net benefit expense	83,227	46,493

Contributions to the plan	(67,247)	(66,677)
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Long-term disability and employee life and health benefits asset, end of year	\$ (43,624)	\$ (59,604)
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Benefits paid to claimants (calendar year):	\$ 66,531	\$ 65,011
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Plan assets consist of:

Calendar year ending December 31:	2022	2021
Debt securities	34.9%	42.1%
Foreign equities	34.3%	35.7%
Equity securities and other	30.8%	22.2%
Total	100.00%	100.0%

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

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

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	5.90%	5.10%
Benefit indexing (2022)	4.17%	2.00%
Benefit indexing (2023)	7.00%	
Benefit indexing (2024)	3.00%	
Benefit indexing thereafter	2.25%	
Benefit costs for years ended March 31:		
Discount rate	5.90%	5.10%
Benefit indexing	2.00%	2.00%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.90%	5.10%
Actual rate of return on plan assets	(5.88)%	8.83%

(ii) Other Trust benefits:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2023, the Authority made contributions to these joint benefits trusts totaling \$59.8 million (2022 - \$53.6 million).

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Employee benefits (continued):

(c) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$102.8 million (2022 - \$101.4 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, 2021 indicated a surplus of approximately \$3,761 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 240,000 active members, of which approximately 21,585 are employees of the Authority (2022 – 21,102). The next expected actuarial valuation will be as of December 31, 2024 with results available in 2025.

Employer contributions to the Public Service Pension Plan of \$0.6 million (2022 - \$0.6 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2020 indicated a 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 66 are employees of the Authority (2022 – 86). The next expected actuarial valuation will be as of March 31, 2023.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

8. Deferred capital contributions:

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

	2023	2022
Deferred capital contributions, beginning of year	\$ 1,392,382	\$ 1,319,207
Capital contributions received:		
Ministry of Health	100,188	95,877
Regional hospital districts	39,830	56,251
Foundations and auxiliaries	19,210	19,114
Health authorities and BC government reporting entities	29	-
Other	6,084	1,572
	165,341	172,814
Amortization of deferred capital contributions	(100,593)	(99,639)
Deferred capital contributions, end of year	\$ 1,457,130	\$ 1,392,382

Capital contributions received included transfers from deferred operating contributions (note 5) of \$6.75 million (2022 - \$nil).

Deferred capital contributions are comprised of the following:

	2023	2022
Contributions used to purchase tangible capital assets	\$ 1,279,842	\$ 1,248,207
Unspent contributions	177,288	144,175
	\$ 1,457,130	\$ 1,392,382

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Asset retirement obligations:

The Authority owns and operates facilities that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The Authority also owns underground fuel storage tanks and the removal of fuel storage tanks is regulated to reduce the risk of release of petroleum products.

The Authority has recognized an obligation relating to the removal and disposal of the asbestos and for the cost of safe disposal of underground fuel tanks. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital assets and the restatement of prior year numbers (see note 1(p)).

Changes to the asset retirement obligation in the year are as follows:

	2023	2022
Asset retirement obligation, beginning of year	\$ 50,776	\$ -
Adoption of the asset retirement obligations standard (Note 1(p))	-	49,397
Asset retirement obligations, beginning of year, as restated	50,776	49,397
Accretion expense	667	1,379
Asset retirement obligations, end of the year	\$ 51,443	\$ 50,776

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

10. Tangible capital assets:

Cost	2022	Additions	Disposals	Transfers	2023
	Restated - Note 1 (p)				
Land	\$ 56,323	\$ -	\$ (18)	\$ -	56,305
Land improvements	28,676	39	-	962	29,677
Buildings	2,403,465	252	(1,242)	61,284	2,463,759
Equipment	776,298	23,550	(18,116)	16,077	797,809
Information systems	141,012	448	-	13,121	154,581
Leasehold improvements	39,680	-	(397)	547	39,830
Vehicles	10,408	765	(880)	-	10,293
Construction in progress	62,031	67,964	-	(64,485)	65,510
Equipment and information systems in progress	29,128	42,405	-	(27,506)	44,027
Total	\$ 3,547,021	\$ 135,423	\$ (20,653)	\$ -	3,661,791

Accumulated amortization	2022	Amortization	Disposals	Transfers	2023
	Restated - Note 1 (p)				
Land improvements	\$ 22,346	\$ 717	\$ -	\$ -	23,063
Buildings	968,643	58,957	(1,057)	-	1,026,543
Equipment	592,853	42,620	(18,011)	-	617,462
Information systems	112,229	12,554	-	(1)	124,782
Leasehold improvements	19,723	2,798	(396)	1	22,126
Vehicles	8,543	879	(848)	-	8,574
Total	\$ 1,724,337	\$ 118,525	\$ (20,312)	\$ -	1,822,550

Cost	2021	Additions	Disposals	Transfers	2022
	Restated - Note 1 (p)				
Land	\$ 56,323	\$ -	\$ -	\$ -	56,323
Land improvements	27,581	3	(125)	1,217	28,676
Buildings	2,081,531	413	(11,140)	332,661	2,403,465
Equipment	741,808	20,478	(14,391)	28,403	776,298
Information systems	121,240	130	(77)	19,719	141,012
Leasehold improvements	35,026	-	-	4,654	39,680
Vehicles	10,407	624	(623)	-	10,408
Construction in progress	296,598	103,965	-	(338,532)	62,031
Equipment and information systems in progress	39,663	37,587	-	(48,122)	29,128
Total	\$ 3,410,177	\$ 163,200	\$ (26,356)	\$ -	3,547,021

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

10. Tangible capital assets (continued):

Accumulated amortization	2021	Amortization	Disposals	Transfers	2022
Restated - Note 1 (p)					
Land improvements	\$ 21,254	\$ 1,217	\$ (125)	\$ -	22,346
Buildings	921,034	52,804	(5,195)	-	968,643
Equipment	564,832	41,896	(13,875)	-	592,853
Information systems	102,762	9,491	(24)	-	112,229
Leasehold improvements	17,349	2,374	-	-	19,723
Vehicles	8,183	983	(623)	-	8,543
Total	\$ 1,635,414	\$ 108,765	\$ (19,842)	\$ -	1,724,337

Net book value	2023	2022
Restated - Note 1 (p)		
Land	\$ 56,305	\$ 56,323
Land improvements	6,614	6,330
Buildings	1,437,216	1,434,822
Equipment	180,347	183,445
Information systems	29,799	28,783
Leasehold improvements	17,704	19,957
Vehicles	1,719	1,865
Construction in progress	65,510	62,031
Equipment and information systems in progress	44,027	29,128
Total	\$ 1,839,241	\$ 1,822,684

During the year, \$0 interest (2022 - \$2.9 million) was capitalized to construction in progress.

Tangible capital assets are funded as follows:

	2023	2022
Restated - Note 1 (p)		
Deferred capital contributions	\$ 1,279,842	\$ 1,248,207
Debt	473,829	483,107
Internally funded	85,570	91,370
Tangible capital assets	\$ 1,839,241	\$ 1,822,684

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

11. Inventories held for use:

	2023	2022
Medical supplies	\$ 5,007	\$ 5,048
Pharmaceuticals	2,916	2,825
	\$ 7,923	\$ 7,873

12. Prepaid expenses:

	2023	2022
Contracted services	\$ 3,972	\$ 5,422
Maintenance contracts	11,205	9,881
Rent/leases	13	418
Other	187	1,028
	\$ 15,377	\$ 16,749

13. Commitments and contingencies:

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

As at March 31, 2023, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$331.3 million (2022 – \$93.6 million).

(b) Contractual obligations:

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

	2024	2025	2026	2027	2028	Total
Service contracts	\$336,949	\$169,811	\$99,414	\$55,203	\$33,165	\$694,542

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

13. Commitments and contingencies (continued):

(c) Long-term care contracts:

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

2024	\$	247,830
2025		44,284
2026		44,284
2027		36,174
2028		30,453
Thereafter		23,339
	\$	426,364

(d) Operating leases:

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

2024	\$	16,340
2025		15,647
2026		14,611
2027		13,794
2028		12,622
Thereafter		53,699
	\$	126,713

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Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

13. Commitments and contingencies (continued):

(e) Public-private partnerships commitments:

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

	Capital and financing	FM and lifecycle	Total payments
2024	\$ 39,060	\$ 32,297	\$ 71,357
2025	38,288	34,667	72,955
2026	37,855	36,165	74,020
2027	37,391	37,173	74,564
2028	37,422	40,380	77,802
Thereafter	676,327	942,226	1,618,553
	<u>\$ 866,343</u>	<u>\$ 1,122,908</u>	<u>\$ 1,989,251</u>

(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Authority's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2023, management is of the opinion that the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

14. Statement of operations:

(a) Patients, clients and residents revenue:

	2023	2022
Long-term and extended care	\$ 51,709	\$ 47,627
Non-residents of BC	27,076	25,387
Non-residents of Canada	13,138	5,500
WorkSafe BC	12,579	11,638
Residents of BC self pay	16,560	13,633
Federal government	789	1,045
Preferred accommodation	181	260
Other	1,873	2,224
	<u>\$ 123,905</u>	<u>\$ 107,314</u>

(b) Other contributions:

	2023	2022
Provincial Health Services Authority	\$ 43,900	\$ 42,317
Other BC government reporting entities	2,234	2,162
Other	680	824
	<u>\$ 46,814</u>	<u>\$ 45,303</u>

(c) Other revenues:

	2023	2022
Compensation recoveries	\$ 19,664	\$ 18,502
Parking	4,613	85
Other	19,373	16,594
	<u>\$ 43,650</u>	<u>\$ 35,181</u>

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

14. Statement of operations (continued):

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

	2023	2022
Compensation:		
Compensation	\$ 1,724,279	\$ 1,582,545
Employee Benefits	406,338	363,186
Loss (gain) on event-driven employee benefits	26,028	(2,816)
	<u>2,156,645</u>	<u>1,942,915</u>
Referred-out and contracted services:		
Health and support services providers	516,748	517,620
Other health authorities and BC government reporting entities	20,270	18,398
	<u>537,018</u>	<u>536,018</u>
Supplies:		
Medical and surgical	132,195	122,736
Drugs and medical gases	89,374	83,970
Diagnostic	34,694	43,333
Food and dietary	24,080	19,750
Printing, stationery and office	7,352	6,421
Laundry and linen	8,366	8,242
Housekeeping	7,679	7,044
Other	17,114	15,364
	<u>320,854</u>	<u>306,860</u>
Amortization of tangible capital assets	118,525	108,765
Equipment and building services:		
Equipment	57,604	53,395
Plant operation (utilities)	23,927	20,156
Rent	12,917	13,108
Building and ground service contracts	19,002	15,540
Other	10,824	17,202
	<u>124,274</u>	<u>119,401</u>
Sundry:		
Patient transport	11,314	13,386
Travel	10,432	8,631
Communication and data processing	7,713	6,842
Professional fees	9,940	7,875
Other	29,188	24,192
	<u>68,587</u>	<u>60,926</u>
Interest on debt	27,337	20,887
	<u>\$ 3,353,240</u>	<u>\$ 3,095,772</u>

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

15. Supplementary cash flow information:

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

	2023	2022
Accounts receivable	\$ (244,503)	\$ 9,209
Accounts payable and accrued liabilities	79,692	38,702
Deferred operating contributions	(1,094)	8,257
Inventories held for use	(50)	478
Prepaid expenses	1,372	(1,828)
	\$ (164,583)	\$ 54,818

(b) Acquisition of tangible capital assets:

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

	2023	2022
Acquisition of tangible capital assets (note 10)	\$ 135,423	\$ 163,200
Construction financed with debt	(1,304)	(29,755)
	\$ 134,119	\$ 133,445

16. Related parties and other agencies:

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

(a) BC Government reporting entities:

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

The Authority contracts certain services to Provincial Health Services Authority (PHSA), including accounts payable, tech services and supply chain. The expense recorded for contracted services with PHSA in 2023 was \$14.6 million (2022 - \$12.8 million).

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

16. Related parties and other agencies (continued):

(a) BC Government reporting entities (continued):

The Authority contracts clinical and other services from government reporting entities (GRE's) including cancer programs, renal services, and other programs. The revenue recorded for the recoveries from GRE's in 2023 was \$15.2 million (2022 - \$14.7 million). As at March 31, the Authority has accounts receivable of \$25.1 million (2022 - \$27.3 million) and accounts payable of \$17.5 million (2022 - \$17.7 million) to other GRE's for these services.

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

(b) Key management personnel:

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

(c) Foundations and auxiliaries:

There are 74 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations within the Authority area. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted \$20.7 million (2022 - \$20.3 million) to various facilities within the Authority.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

17. Risk management:

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

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents and accounts receivable. The risk exposure is limited to their varying amounts at the date of the statement of financial position. The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, foundations and auxiliaries, grantors etc. To reduce the risk, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2023, the amount of allowance for doubtful accounts was \$19.3 million (2022 - \$16.5 million).

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

(b) Liquidity risk

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

INTERIOR HEALTH AUTHORITY

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

Year ended March 31, 2023

17. Risk management (continued):

(b) Liquidity risk (continued):

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

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

2023 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 226,545	\$ -	\$ -	\$ 226,545
Accounts receivable	397,392	-	-	397,392
Total financial assets	\$ 623,937	\$ -	\$ -	\$ 623,937

2023 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 427,261	\$ 470	\$ -	\$ 427,731
Debt	11,582	51,644	410,603	473,829
Total financial liabilities	\$ 438,843	\$ 52,114	\$ 410,603	\$ 901,560

2022 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 336,172	\$ -	\$ -	\$ 336,172
Accounts receivable	152,889	-	-	152,889
Total financial assets	\$ 489,061	\$ -	\$ -	\$ 489,061

2022 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 347,481	\$ 560	\$ -	\$ 348,041
Debt	10,583	49,462	423,062	483,107
Total financial liabilities	\$ 358,064	\$ 50,022	\$ 423,062	\$ 831,148

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

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

17. Risk management (continued):

(c) Foreign exchange risk

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

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

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

	2023	2022
US dollar per Canadian dollar	\$ 0.739	\$ 0.800

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

INTERIOR HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

18. Budget:

The original budget, as approved by the Board on June 13, 2022, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The changes are as follows:

	Board		Restated
	Approved	Reallocations	Budget
	Plan		
Revenues:			
Provincial government sources	\$ 2,908,365	\$ (2,908,365)	\$ -
Non-provincial government sources	202,232	(202,232)	-
Ministry of Health contributions	-	2,547,623	2,547,623
Medical Services Plan	-	205,217	205,217
Patients, clients and residents	-	117,778	117,778
Amortization	-	94,061	94,061
Recoveries from other Health Authorities and government reporting entities	-	60,561	60,561
Other contributions	-	42,833	42,833
Other	-	40,658	40,658
Investment Income	-	1,866	1,866
	3,110,597	-	3,110,597
Expenses:			
Acute	1,655,215	-	1,655,215
Long-term care	559,596	-	559,596
Community care	334,601	-	334,601
Corporate	237,119	-	237,119
Mental health and substance use	235,317	-	235,317
Population health and wellness	88,749	-	88,749
	3,110,597	-	3,110,597
Annual Surplus	\$ -	\$ -	\$ -

19. Contractual Rights:

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

2024	\$	821
2025		790
2026		787
	\$	2,398