

Capital Regional Hospital District 2021 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2021

CRHD
Capital Regional Hospital District

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INDEPENDENT AUDITORS' REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

We have audited the financial statements of the Capital Regional Hospital District (the District), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations 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 present fairly, in all material respects, the financial position of the District as at December 31, 2021, and its results of operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

We are independent of the District 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.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District'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 District or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Victoria, Canada
May 11, 2022

Capital Regional Hospital District

MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. 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 Capital Regional Hospital District Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Hospitals and Housing Committee of the Board.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to staff and management. The Independent Auditors' Report outlines the scope of the audit for the year ended December 31, 2021.

On behalf of Capital Regional Hospital District,



Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 11, 2022

Statement of Financial Position

As at December 31, 2021

	2021	2020
Financial assets		
Cash and cash equivalents (Note 2)	\$ 17,671,161	\$ 23,627,273
Investments	5,000,000	-
Accounts receivable		
Due from Capital Regional District	130,801	701,170
Other	87,423	58,046
Restricted cash - MFA Debt Reserve Fund (Note 3)	3,607,145	3,905,704
	<u>26,496,530</u>	<u>28,292,193</u>
Financial liabilities		
Accounts payable and other liabilities	2,447,965	3,783,702
Deferred revenue	367,001	361,515
Short-term debt (Note 4)	1,819,000	-
Long-term debt (Note 5)	128,318,806	141,896,510
	<u>132,952,772</u>	<u>146,041,727</u>
Net debt	(106,456,242)	(117,749,534)
Non-financial assets		
Tangible capital assets (Note 6)	106,903,759	99,710,197
Contingent liabilities (Note 13)		
Commitments (Note 7)		
Accumulated Surplus/(Deficit) (Note 11)	\$ 447,517	\$ (18,039,337)

The accompanying notes are an integral part of these financial statements



Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2021

	Budget	2021	2020
	(Note 12)		
Revenue			
Taxation - Municipalities	\$ 25,998,531	\$ 25,998,529	\$ 27,226,407
Taxation - Electoral Areas	2,031,625	2,031,625	2,068,174
Taxation - First Nations	108,352	108,353	88,466
Payments in lieu of taxes	879,289	879,761	890,109
Lease and other property revenue	4,410,678	4,420,933	4,054,227
Interest income	50,000	285,488	390,713
Debenture maturity refund	415,000	-	19,291
Contributed revenue	-	-	9,299,990
Actuarial adjustment on long-term debt	-	5,874,862	5,960,910
	33,893,475	39,599,551	49,998,287
Expenses			
Grants to district hospitals (Schedule A)	12,620,823	9,475,488	9,033,239
Interest on long-term debt	7,320,394	7,207,154	7,969,899
Interest on short-term debt	50,000	1,926	1,367
Amortization	-	3,084,450	3,077,136
Operating expenses	1,662,065	1,343,679	1,385,565
	21,653,282	21,112,697	21,467,206
Annual surplus	12,240,193	18,486,854	28,531,081
Accumulated deficit, beginning of year	(18,039,337)	(18,039,337)	(46,570,418)
Accumulated surplus (deficit), end of year	\$ (5,799,144)	\$ 447,517	\$ (18,039,337)

Statement of Change in Net Debt

For the year ended December 31, 2021

	Budget	2021	2020
	(Note 12)		
Annual surplus	\$ 12,240,193	\$ 18,486,854	\$ 28,531,081
Acquisition of tangible capital assets	(23,700,000)	(10,278,012)	(4,526,836)
Contributed tangible capital assets	-	-	(9,299,990)
Amortization of tangible capital assets	-	3,084,450	3,077,136
Change in net debt	(11,459,807)	11,293,292	17,781,391
Net debt, beginning of year	(117,749,534)	(117,749,534)	(135,530,925)
Net debt, end of year	\$ (129,209,341)	\$ (106,456,242)	\$ (117,749,534)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 18,486,854	\$ 28,531,081
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,874,862)	(5,960,910)
Amortization	3,084,450	3,077,136
Contributed tangible capital assets	-	(9,299,990)
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	(29,377)	256,546
Accounts payable and accrued liabilities	(1,335,737)	(4,723,131)
Deferred revenue	5,486	361,515
Due to/(from) Capital Regional District	570,369	(824,378)
Restricted cash	298,559	162,345
Net change in cash from operating activities	15,205,742	11,580,214
Capital activities:		
Cash used to acquire tangible capital assets	(10,278,012)	(4,526,836)
Net change in cash from capital activities	(10,278,012)	(4,526,836)
Investing activities:		
Net change in investments	(5,000,000)	-
Net change in cash from investing activities	(5,000,000)	-
Financing activities:		
Additions to short-term debt	1,819,000	-
Additions to long-term debt	6,172,570	596,005
Repayment of long-term debt	(13,875,412)	(14,402,045)
Net change in cash from financing activities	(5,883,842)	(13,806,040)
Net change in cash and cash equivalents	(5,956,112)	(6,752,662)
Cash and cash equivalents, beginning of year	23,627,273	30,379,935
Cash and cash equivalents, end of year	\$ 17,671,161	\$ 23,627,273
Cash paid for interest	\$ 7,134,689	\$ 8,212,747
Cash received for interest	285,488	390,713

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2021

GENERAL

The Capital Regional Hospital District (the “Hospital District”) is incorporated under letters patent issued October 17, 1967. The Hospital District provides Capital Region hospitals with funding for capital project construction and the purchase of moveable equipment.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Hospital District are as follows:

a) Basis of Accounting

The Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

b) Taxation

Each Municipality, Electoral Area and First Nation within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, First Nations and the Province (for Electoral Areas) to individual taxpayers and remitted to the Hospital District by August 1 of each year.

c) Cash Equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of less than 90 days at acquisition.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life
Building and building fixtures	10 to 50 Years

Amortization is charged annually, in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

- i. Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- ii. Works of art and cultural and historic assets
Works of art and cultural and historic assets are not recorded as assets in these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Interest capitalization
The Hospital District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

e) Long-Term Debt

Long-term debt is recorded net of repayments and actuarial adjustments.

f) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

g) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of land, equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Surplus.

h) Grants to District Hospitals

Government transfers including grants to district hospitals are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

i) Financial Instruments

Financial instruments are classified into two categories fair value or cost.

i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.

ii. Cost category: portfolio investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Hospital District determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospital District expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**j) Use Of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

	<u>2021</u>		<u>2020</u>	
Cash in bank	\$	17,671,161	\$	23,537,598
MFA Money Market		-		89,675
	<u>\$</u>	<u>17,671,161</u>	<u>\$</u>	<u>23,627,273</u>

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (MFA) is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2021 is \$3,607,145 (2020: \$3,905,704)

4. SHORT-TERM DEBT

During 2021, CRHD secured short-term capital financing in the amount of \$1,819,000 to fund a land acquisition. The interest rate at year end was 0.97%. The short-term financing will be converted to long-term debt in Spring 2022.

5. LONG-TERM DEBT**a) Debt**

Long-term debt represents gross debt borrowings of \$279,583,868 (2020: \$287,424,507) net of repayments and actuarial adjustments of \$151,265,062 (2020: \$145,527,997).

The loan agreements with the MFA provide that, if at any time the scheduled payments provided for in the agreements for the Hospital District and other authorities are not sufficient to meet the MFA's obligation in respect to such borrowings, the resulting deficiency becomes a liability of the Hospital District and other members of the MFA.

The following principal payments are payable over the next five years and thereafter:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Aggregate amount after 2026</u>
	\$ 13,900,587	\$ 12,867,076	\$ 10,907,951	\$ 7,855,404	\$ 6,231,880	\$56,065,291

5. LONG-TERM DEBT (continued)

b) Interest Rates of Long Term Debt Borrowings Issued in the Year

2021	2020
1.25% to 1.53%	0.91% to 1.99%

The long-term debt bears interest at rates ranging from 0.65% to 3.85%. The weighted average interest rate at December 31, 2021 is 2.56% (2020: 2.60%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$8,746,511 (2020: \$9,141,471). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

6. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization				Net Book Value at December 31, 2021
	Balance at December 31, 2020	Additions	Transfers	Balance at December 31, 2021	Balance at December 31, 2020	Amortization Expense	Balance at December 31, 2021	
Work in Progress	\$ -	1,985,691	-	\$ 1,985,691	-	-	-	\$ 1,985,691
Land	23,591,590	8,050,785	-	31,642,375	-	-	-	31,642,375
Buildings	79,195,743	241,536	-	79,437,279	3,077,136	3,084,450	6,161,586	73,275,693
	\$ 102,787,333	10,278,012	-	\$ 113,065,345	3,077,136	3,084,450	6,161,586	\$ 106,903,759

	Cost			Accumulated Amortization				Net Book Value at December 31, 2020
	Balance at December 31, 2019	Additions	Transfers	Balance at December 31, 2020	Balance at December 31, 2019	Amortization Expense	Balance at December 31, 2020	
Work in Progress	\$ -	-	-	\$ -	-	-	-	\$ -
Land	14,285,827	9,305,763	-	23,591,590	-	-	-	23,591,590
Buildings	74,674,680	4,521,063	-	79,195,743	-	3,077,136	3,077,136	76,118,607
	\$ 88,960,507	13,826,826	-	\$ 102,787,333	-	3,077,136	3,077,136	\$ 99,710,197

a) The Heights Long-Term Care Facility Site

In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for the site owned by the Hospital District at 3814 Carey Road. The land has a historical cost of \$1,913,640.

7. COMMITMENTS

a) The Hospital District has the following approved and active capital projects:

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 4,315,000	\$ 4,315,000	\$ -	\$ 4,315,000	\$ 4,315,000	\$ -
CBL 169	Minor Capital Projects 2016 – Residual Claim	326	130	-	130	130	-
CBL 170	Minor Capital Projects 2017	19,772,954	3,750,000	3,627,757	51,627	3,679,384	70,616
CBL 171	Minor Capital Projects 2018	20,683,223	3,750,000	3,467,915	104,073	3,571,988	178,012
CBL 172	Westshore UPCC	4,240,000	1,272,000	311,121	78,643	389,764	-
CBL 173	Minor Capital Projects 2019	19,030,689	3,750,000	3,557,122	(88,659)	3,468,463	281,537
CBL 174	James Bay UPCC	5,000,000	1,500,000	564,617	104,890	669,507	830,493
CBL 175	Beacon Services Expansion	4,500,000	1,350,000	753,734	69,518	823,252	526,748
CBL 176	Minor Capital Projects 2020	17,554,299	3,750,000	1,323,455	1,816,254	3,139,709	610,291
CBL 177	Victoria UPCC #1	5,000,000	1,500,000	196,904	1,006,357	1,203,261	296,739
CBL 180	Minor Capital Projects 2021	16,172,313	3,750,000	-	260,047	260,047	3,489,953
CBL 181	Esquimalt UPCC	2,954,713	886,414	-	490,745	490,745	395,669
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	-	1,169,837	1,169,837	329,755
CBL 183	Emergency Dept. Redevelopment - LMH	10,340,000	3,000,000	-	97,026	97,026	2,902,974
		\$ 134,562,156	\$ 34,073,136	\$ 13,802,625	\$ 9,475,488	\$ 23,278,113	\$ 9,912,787

Minor Capital Projects are defined as projects valued between \$100,000 and \$2.0 million to sustain exiting infrastructure, replace building components and improve functionality. Major Capital Projects are defined as projects valued at greater than \$2.0 million and modify, expand/enhance or replace health service/program spaces. Island Health's Project Cost is based on their capital plan and various funders. CRHD cost shares an average of 30% for Major Capital project expenditures up to the approved bylaw amount. When a major or minor capital project is completed and no further claims are expected, the remaining commitment is reported as nil.

7. COMMITMENTS (continued)

b) Hospital District approved and active capital projects detailed by Hospital Facility:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment	Planned Approved Funding 2022 - 2026
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
Sec 20(3)	2021	NTP Grant Nigel House	1,360,000	1,360,000	-	1,360,000	1,360,000	-	-
Vancouver Island Health Authority									
Multiple	2016-2021	Minor Capital	9,861,558	2,419,063	1,485,630	349,023	1,834,653	584,410	584,410
Sec 20(3)	2021	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
172	2019	Westshore UPCC	4,240,000	1,272,000	311,121	78,643	389,764	-	-
174	2020	James Bay UPCC	5,000,000	1,500,000	564,617	104,890	669,507	830,493	30,000
175	2020	Beacon Services Expansion	4,500,000	1,350,000	753,734	69,518	823,252	526,748	80,700
177	2020	Victoria UPCC #1	5,000,000	1,500,000	196,904	1,006,357	1,203,261	296,739	30,000
181	2021	Esquimalt UPCC	2,954,713	886,414	-	490,745	490,745	395,669	90,000
182	2021	Victoria UPCC #2	4,998,639	1,499,592	-	1,169,837	1,169,837	329,755	359,592
Mount St. Mary Hospital									
Sec 20(3)	2021	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2017-2021	Minor Capital	5,359,388	1,086,772	413,849	596,067	1,009,916	76,856	76,856
Juan de Fuca Hospital									
Multiple	2017-2021	Minor Capital	12,244,877	2,119,656	1,866,123	27,794	1,893,917	225,739	225,739
Lady Minto Hospital									
Multiple	2017-2021	Minor Capital	1,321,549	315,519	247,802	1,205	249,007	66,512	66,512
183	2021	Emergency Dept. Redevelopment	10,340,000	3,000,000	-	97,026	97,026	2,902,974	2,902,974
Queen Alexandra Hospital									
Multiple	2017-2021	Minor Capital	3,840,092	919,194	571,560	92,322	663,882	255,312	255,312
Royal Jubilee Hospital									
Multiple	2017-2021	Minor Capital	30,984,536	6,346,413	3,791,182	640,400	4,431,582	1,914,831	1,914,831
Saanich Peninsula Hospital									
Multiple	2017-2021	Minor Capital	5,530,149	1,196,818	911,356	34,895	946,251	250,567	250,567
Victoria General Hospital									
Multiple	2017-2021	Minor Capital	24,071,655	4,346,695	2,688,747	401,766	3,090,513	1,256,182	1,256,182
Total Commitments			134,562,156	34,073,136	13,802,625	9,475,488	23,278,113	9,912,787	8,123,675

b) Hospital District approved and active capital projects detailed by Hospital Facility (continued)

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2020	Funded in Current Year (Schedule A)	Funded to December 31, 2021	Remaining Commitment	Planned Approved Funding 2022 - 2026
PLANNED CAPITAL PROJECTS									
TBD	2022	Med. Device Reprocessing - VGH	4,240,000	1,272,000	-	-	-	1,272,000	1,272,000
TBD	2022	High Acuity Unit - VGH	3,250,000	975,000	-	-	-	975,000	975,000
TBD	2022	High Acuity Unit - RJH	15,650,000	4,695,000	-	-	-	4,695,000	4,695,000
TBD	2022	Pneumatic to Electric Conversion - GRH	2,946,000	883,800	-	-	-	883,800	883,800
Total Planned Capital Projects			26,086,000	7,825,800	-	-	-	7,825,800	7,825,800
Total Commitments and Planned Capital Projects			\$160,648,156	\$ 41,898,936	\$ 13,802,625	\$ 9,475,488	\$ 23,278,113	\$ 17,738,587	\$ 15,949,475

8. CONTRACTUAL OBLIGATIONS

At December 31, 2021, the Hospital District has outstanding commitments to capital projects totalling \$2,183,438.

9. CONTRACTUAL RIGHTS

- a) The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25 year period. Lease payments commenced February 1, 2020 and are \$4,338,178 annually.
- b) The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is \$20,000.

10. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, \$763,651 (2020: \$727,404) of administrative support and project management services from the CRD, of which \$nil (2020: \$16,622) of project management services was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the CRD, the Provincial and Federal governments to provide capital funding to affordable housing projects in the region. The CRD, Capital Region Housing Corporation and the Hospital District will invest a combined \$40 million towards projects. In 2018, a RHFP project management office was created to support the delivery of the program. During the year the Hospital District contributed, \$143,978 (2020: \$141,154) to the CRD, to cost share in administrative support and project management services.

11. ACCUMULATED SURPLUS

	2021	2020
<u>Surplus/(Deficit):</u>		
Other	\$ (18,683,901)	\$ (38,260,070)
Reserve funds set aside for specific purposes:		
Land Development Reserve	-	6,180,199
Regional Housing First Program Reserve	10,068,435	5,783,318
Summit Management Reserve	533,340	265,487
Land Holdings Management Reserve	1,286,762	1,193,653
Capital Loan Fund	4,630,407	3,438,752
Hospital District Act Section 20(3) Reserve	2,612,474	3,359,324
Accumulated Surplus/(Deficit)	<u>\$ 447,517</u>	<u>\$ (18,039,337)</u>

12. BUDGET DATA

The budget data presented in these financial statements is based upon the 2021 operating and capital budgets approved by the Board on March 24, 2021. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 36,111,356
Less:	
Transfers from reserve	(1,802,877)
Prior-year surplus	(415,004)
Revenue per Financial Statements	<u>33,893,475</u>
Expense budget	36,111,356
Add:	
Grants to district hospitals	4,555,824
Less:	
Transfers to reserve	(5,095,638)
Debt principal payments	(13,918,260)
Expense per Financial Statements	<u>21,653,282</u>
Annual Surplus	<u>\$ 12,240,193</u>

13. CONTINGENT LIABILITIES

From time to time, the Capital Regional Hospital District is subject to claims and other lawsuits that arise in the course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Capital Regional Hospital District has exposure to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2020.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)

b) Liquidity risk:

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to liquidity risk exposure from 2020.

c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital District's income or the value of its holdings of financial instruments. The objective of market risk management is to control risk exposures within acceptable parameters while optimizing return on investment.

i. Foreign exchange risk:

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

There have been no significant changes to foreign exchange risk exposure from 2020.

ii. Interest rate risk:

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk in their investments as they manage this risk through its investment policy which includes restrictions on types and concentration of instruments held.

Exposure to interest rate risk in relation to debt instruments is limited to long term debt renewals and short term financing. The risk applies only to long term debt when amortization periods exceed the initial locked in term. Short term financing is subject to daily floating rates, which can result in variability over the course of short term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2020.

15. COMPARATIVE INFORMATION

Certain 2020 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

Grants to District Hospitals

For the year ended December 31, 2021

	Total grants December 31 2020	Expense 2021	Transfers to completed projects	Total grants December 31 2021
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ 1,360,000	\$ (1,360,000)	\$ 1,770,686
Vancouver Island Health Authority	8,687,484	6,194,013	(3,447,978)	11,433,519
Gorge Road Hospital	486,989	596,067	(117,175)	965,881
Juan de Fuca Hospital	2,339,843	27,794	(459,572)	1,908,065
Lady Minto Hospital	597,791	98,231	(17,780)	678,242
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	571,559	92,322	(362,700)	301,181
Royal Jubilee Hospital	10,807,034	640,400	(1,105,061)	10,342,373
Saanich Peninsula Hospital	1,838,253	34,896	(158,260)	1,714,889
Victoria General Hospital	4,036,247	401,765	(1,014,631)	3,423,381
	<u>31,165,886</u>	<u>9,475,488</u>	<u>(8,073,157)</u>	<u>32,568,217</u>
COMPLETED PROJECTS				
Designated Health Care facilities	21,034,214	-	1,360,000	22,394,214
Vancouver Island Health Authority	77,115,345	-	3,447,978	80,563,323
Gorge Road Hospital	7,825,196	-	117,175	7,942,371
Juan de Fuca Hospital	37,195,870	-	459,572	37,655,442
Lady Minto Hospital	5,617,275	-	17,780	5,635,055
Mount St. Mary Hospital - Fairfield	15,449,545	-	30,000	15,479,545
Queen Alexandra Hospital	8,868,726	-	362,700	9,231,426
Royal Jubilee Hospital	258,671,112	-	1,105,061	259,776,173
Saanich Peninsula Hospital	19,859,893	-	158,260	20,018,153
Victoria General Hospital	98,731,887	-	1,014,631	99,746,518
	<u>550,369,063</u>	<u>-</u>	<u>8,073,157</u>	<u>558,442,220</u>
	581,534,949	9,475,488	-	591,010,437
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	<u>\$ 455,524,648</u>	<u>\$ 9,475,488</u>	<u>\$ -</u>	<u>\$ 465,000,136</u>

Total grants to date is cumulative since incorporation of the Hospital District in 1967



| **Capital Regional Hospital District**

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