



# Capital Regional Hospital District 2023 Financial Statements

British Columbia, Canada  
Fiscal year ended December 31, 2023

**CRHD**  
Capital Regional Hospital District



# Table of Contents

Independent Auditor’s Report . . . . . 2  
Management Report . . . . . 5

**Statements**

Statement of Financial Position . . . . . 6  
Statement of Operations . . . . . 7  
Statement of Change in Net Debt . . . . . 8  
Statement of Cash Flows . . . . . 9

**Notes**

Notes to Financial Statements . . . . . 10

**Schedules**

Grants to District Hospitals . . . . . 21



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## INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations for the year then ended
- the statement of change 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, 2023, and its results of operations, its change 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

### ***Emphasis of Matter - Comparative Information***

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Note 2 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



### ***Other Matter - Comparative Information***

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

### ***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.

### ***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 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 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 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 8, 2024

## 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 auditor, 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 auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2023.

On behalf of Capital Regional Hospital District,



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Nelson Chan, MBA, FCPA, FCMA  
Chief Financial Officer  
May 8, 2024

## Statement of Financial Position

As at December 31, 2023

	2023	2022
		Restated (Note 2)
<b>Financial assets</b>		
Cash and cash equivalents	\$ 10,175,942	\$ 18,607,086
Investments	24,000,000	9,000,000
Accounts receivable		
Due from Capital Regional District	147,180	107,379
Other	1,307,725	281,085
Restricted cash - MFA Debt Reserve Fund (Note 3)	2,788,315	3,288,444
	<u>38,419,162</u>	<u>31,283,994</u>
<b>Financial liabilities</b>		
Accounts payable and other liabilities	3,875,792	3,265,947
Deferred revenue	366,515	366,515
Long-term debt (Note 4)	98,467,559	113,972,340
Asset retirement obligation (Note 5)	566,344	472,839
	<u>103,276,210</u>	<u>118,077,641</u>
<b>Net debt</b>	(64,857,048)	(86,793,647)
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	104,465,568	107,353,519
Contingent liability (Note 4c & 13)		
Commitments (Note 7)		
Contractual Obligations (Note 8)		
<b>Accumulated Surplus/(Deficit) (Note 11)</b>	<b>\$ \$ 39,608,520</b>	<b>\$ 20,559,872</b>

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, 2023

	<b>Budget</b> <b>(Note 12)</b>	<b>2023</b>	<b>2022</b> <b>Restated (Note 2)</b>
<b>Revenue</b>			
Taxation - Municipalities	\$ 24,297,119	\$ 24,297,119	\$ 24,291,188
Taxation - Electoral Areas	2,060,817	2,060,817	2,068,029
Taxation - First Nations	104,616	104,616	101,619
Payments in lieu of taxes	699,157	699,157	834,368
Lease and other property revenue	4,419,813	4,936,720	4,421,133
Interest income	100,000	1,782,102	808,282
Debenture maturity refund	603,000	172,114	258,253
Actuarial adjustment on long-term debt	-	4,561,920	5,506,241
	<u>32,284,522</u>	<u>38,614,565</u>	<u>38,289,113</u>
<b>Expenses</b>			
Grants to district hospitals (Schedule A)	10,573,603	8,787,670	6,565,342
Interest on long-term debt	6,161,585	6,138,095	6,856,743
Interest on short-term debt	51,000	46,498	8,438
Amortization	-	3,142,214	3,123,841
Accretion	-	21,561	20,621
Operating expenses	2,058,039	1,429,879	1,419,454
	<u>18,844,227</u>	<u>19,565,917</u>	<u>17,994,439</u>
Annual surplus	13,440,295	19,048,648	20,294,674
Accumulated surplus, beginning of year	20,559,872	20,559,872	265,198
<b>Accumulated surplus, end of year</b>	<u>\$ 34,000,167</u>	<u>\$ 39,608,520</u>	<u>\$ 20,559,872</u>

The accompanying notes are an integral part of these financial statements



## Statement of Change in Net Debt

For the year ended December 31, 2023

	<b>Budget</b> <b>(Note 12)</b>	<b>2023</b>	<b>2022</b> <b>Restated (Note 2)</b>
<b>Annual surplus</b>	\$ 13,440,295	\$ 19,048,648	\$ 20,294,674
Acquisition of tangible capital assets	(10,560,000)	(182,319)	(3,303,702)
Revaluation of asset retirement obligation	-	(71,944)	-
Amortization of tangible capital assets	-	3,142,214	3,123,841
<b>Change in net debt</b>	<b>2,880,295</b>	<b>21,936,599</b>	<b>20,114,813</b>
<b>Net debt, beginning of year</b>	<b>(86,793,647)</b>	<b>(86,793,647)</b>	<b>(106,908,460)</b>
<b>Net debt, end of year</b>	<b>\$ (83,913,352)</b>	<b>\$ (64,857,048)</b>	<b>\$ (86,793,647)</b>

The accompanying notes are an integral part of these financial statements

## Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
		Restated (Note 2)
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Annual surplus	\$ 19,048,648	\$ 20,294,674
Items not involving cash:		
Actuarial adjustment on long-term debt	(4,561,920)	(5,506,241)
Amortization	3,142,214	3,123,841
Accretion	21,561	20,621
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	(1,026,640)	(193,662)
Accounts payable and accrued liabilities	609,844	817,982
Deferred revenue	-	(486)
Due to/(from) Capital Regional District	(39,801)	23,422
Restricted cash	500,129	318,701
<b>Net change in cash from operating activities</b>	<b>17,694,035</b>	<b>18,898,852</b>
<b>Capital activities:</b>		
Cash used to acquire tangible capital assets	(182,319)	(3,303,702)
<b>Net change in cash from capital activities</b>	<b>(182,319)</b>	<b>(3,303,702)</b>
<b>Investing activities:</b>		
Acquisition of investments	(24,000,000)	(9,000,000)
Proceeds from investments	9,000,000	5,000,000
<b>Net change in cash from investing activities</b>	<b>(15,000,000)</b>	<b>(4,000,000)</b>
<b>Financing activities:</b>		
Temporary borrowings repaid	-	(1,819,000)
Additions to long-term debt	2,919,437	5,060,362
Repayment of long-term debt	(13,862,297)	(13,900,587)
<b>Net change in cash from financing activities</b>	<b>(10,942,860)</b>	<b>(10,659,225)</b>
<b>Net change in cash and cash equivalents</b>	<b>(8,431,144)</b>	<b>935,925</b>
Cash and cash equivalents, beginning of year	18,607,086	17,671,161
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,175,942</b>	<b>\$ 18,607,086</b>
Cash paid for interest	\$ 6,184,593	\$ 6,832,708
Cash received for interest	1,782,102	808,282

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, 2023

### 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) Asset Retirement Obligations**

An asset retirement obligation (ARO) is a legal obligation to incur costs to retire a tangible capital asset in a future period. AROs are measured at the present value of expected future cash flows including an estimate for inflation. Future cash flows are based on the best information available at the financial reporting date. Accretion expense is recorded annually to reflect the cost associated with an increase in the present value of the ARO over time. The carrying amount of the liability is reassessed annually and updated as new information becomes available. Changes in estimates are recorded prospectively and the liability is derecognized when retirement activities are completed.

The asset retirement cost at initial recognition is capitalized along with the related tangible capital asset and amortized in accordance with the Hospital District's tangible capital asset policy Note 1 e).

**e) 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:

<u>Asset</u>	<u>Useful Life</u>
Building and building fixtures	10 to 50 Years

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.
- 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.

**f) Long-Term Debt**

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

**g) Debenture Issue Cost**

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

**h) 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.

**i) 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.

**j) 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.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

### k) 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. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2023, the Hospital District adopted Public Sector Accounting Standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. The standard was adopted on a modified retroactive basis and prior year balances have been restated to conform to new reporting requirements. The accounting policy is disclosed in Note 1 d) and ARO balances disclosed in Note 5.

In accordance with the provisions of the new standard, the Corporation reflected the following adjustments for the year ended December 31, 2022:

	2022 Previously Stated	Adjustment	2022 Restated
<b>Statement of Financial Position</b>			
<b>Financial liabilities</b>			
Asset retirement obligations	\$ -	\$ 472,839	\$ 472,839
<b>Non-financial assets</b>			
Tangible capital assets	107,097,097	256,422	107,353,519
<b>Accumulated Surplus</b>	20,776,289	(216,417)	20,559,872
<b>Statement of Operations</b>			
<b>Expenses</b>			
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
<b>Annual Surplus</b>			
Annual surplus	20,328,772	(34,098)	20,294,674
Accumulated surplus, beginning of year	447,517	(182,319)	265,198
Accumulated surplus, end of year	20,776,289	(216,417)	20,559,872
<b>Statement of Change in Net Debt</b>			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization of tangible capital assets	3,110,364	13,477	3,123,841
Net debt, beginning of year	(106,456,242)	(452,218)	(106,908,460)
Net debt, end of year	(86,320,808)	(472,839)	(86,793,647)
<b>Statement of Cash Flows</b>			
Annual surplus	20,328,772	(34,098)	20,294,674
Amortization	3,110,364	13,477	3,123,841
Accretion	-	20,621	20,621
<b>Tangible Capital Assets (Note 6)</b>			
Cost – Buildings	79,818,906	348,741	80,167,647
Accumulated amortization – Buildings	9,271,950	92,319	9,364,269
Net book value – Buildings	70,546,956	256,422	70,803,378
<b>Accumulated Surplus (Note 11)</b>			
Other	(4,773,808)	(216,417)	(4,990,225)
Accumulated Surplus	20,776,289	(216,417)	20,559,872



### 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, 2023 is \$2,788,315 (2022: \$3,288,444)

### 4. LONG-TERM DEBT

#### a) Debt

Long-term debt represents gross debt borrowings of \$214,472,641 (2022: \$251,214,060) net of repayments and actuarial adjustments of \$116,005,082 (2022: \$137,241,720).

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:

<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Thereafter</b>
\$ 12,233,749	\$ 9,201,093	\$ 7,577,569	\$ 6,393,081	\$ 4,790,815	\$52,326,103

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

<b>2023</b>	<b>2022</b>
3.90% to 4.97%	3.07% to 3.82%

The long-term debt bears interest at rates ranging from 0.91% to 4.97%. The weighted average interest rate at December 31, 2023 is 2.73% (2022: 2.69%).

#### c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$6,912,749 (2022: \$8,311,279). 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.

## 5. ASSET RETIREMENT OBLIGATION

The Hospital District owns a building that contains hazardous materials including asbestos and lead. The Hospital District is legally obligated to remove these materials in a prescribed manner when they are disturbed. These costs are expected to be incurred in 18 years as the building is demolished or renovated. The retirement costs are estimated to include all costs directly attributable to the abatement of the hazardous materials, including overhead costs.

The Hospital District uses the Municipal Finance Authority (MFA) long-term borrowing rate as the discount rate. The 10-year average B.C. consumer price index is used to estimate inflation and aligns with the Bank of Canada's target inflation range of 1.00% to 3.00%.

	<b>2022</b> Restated (Note 2)	<b>ARO</b> Additions	<b>ARO</b> Settlements	<b>Revisions to</b> Estimate	<b>Accretion</b> Expense	<b>2023</b>
Hazardous materials	\$ 472,839	-	-	71,944	21,561	566,344

All estimated cash flows have been discounted to present value. Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO values significantly when being applied over an extended duration.

	<b>2023</b>	<b>2022</b>
Discount rate	4.17%	4.56%
Inflation rate	2.54%	2.15%
Settlement timing	18 years	19 years

## 6. TANGIBLE CAPITAL ASSETS – Restated (Note 2)

	Cost			Accumulated Amortization			Net Book Value at December 31, 2023
	Balance at December 31, 2022 (Restated)	Additions	Transfers	Balance at December 31, 2022 (Restated)	Amortization Expense	Balance at December 31, 2023	
Work in Progress	\$ -	-	-	-	-	-	\$ -
Land	36,550,141	-	-	-	-	-	36,550,141
Buildings	80,167,647	254,263	-	9,364,269	3,142,214	12,506,483	67,915,427
	\$ 116,717,788	254,263	-	9,364,269	3,142,214	12,506,483	\$ 104,465,568

  

	Cost			Accumulated Amortization			Net Book Value at December 31, 2022 (Restated)
	Balance at December 31, 2021 (Restated)	Additions	Transfers	Balance at December 31, 2021 (Restated)	Amortization Expense	Balance at December 31, 2022 (Restated)	
Work in Progress	\$ 1,985,691	-	(1,985,691)	-	-	-	\$ -
Land	31,642,375	2,922,075	1,985,691	-	-	-	36,550,141
Buildings	79,786,020	381,627	-	6,240,428	3,123,841	9,364,269	70,803,378
	\$ 113,414,086	3,303,702	-	6,240,428	3,123,841	9,364,269	\$ 107,353,519

## 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 bylaws:

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -	\$ -
CBL 173	MCP 2019	19,030,688	3,750,000	3,670,423	79,577	3,750,000	-	-
CBL 176	MCP 2020	17,556,299	3,750,000	3,362,700	382,164	3,744,864	5,136	5,136
CBL 180	MCP 2021	16,172,312	3,750,000	1,190,278	813,603	2,003,881	1,746,119	1,746,119
CBL 182	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
CBL 183	Emergency Dept. Redevelopment - LMH	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
CBL 184	MCP 2022	17,784,582	3,750,000	5,006	710,362	715,368	3,034,632	3,034,632
CBL 185	High Acuity Unit - VGH	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
CBL 187	MCP 2023	31,574,761	3,750,000	-	1,542,942	1,542,942	2,207,058	2,207,058
CBL 188	Relocate MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
CBL 189	Medical Device Reprocessing Dept. Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
CBL 191	New Long-Term Care-Royal Bay	223,694,000	67,108,200	-	129,659	129,659	66,978,541	66,978,541
<b>Total Commitments</b>		<b>\$ 356,203,464</b>	<b>\$ 96,941,947</b>	<b>\$ 11,402,995</b>	<b>\$ 8,787,670</b>	<b>\$ 20,190,665</b>	<b>\$ 75,965,881</b>	<b>\$ 75,965,881</b>

Minor Capital Projects (MCP) are defined as projects valued between \$100,000 and \$2.0 million to sustain existing 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 a maximum 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, planned, and active capital projects detailed by Hospital Facility:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2022	Funded in Current Year (Schedule A)	Funded to December 31, 2023	Remaining Commitment	Planned Approved Funding 2024 - 2028
<b>APPROVED AND ACTIVE CAPITAL PROJECTS</b>									
<b>Designated Health Care Facilities</b>									
191	2023	New Long-Term Care – Royal Bay	\$ 223,694,000	\$ 67,108,200	\$ -	\$ 129,659	\$ 129,659	\$ 66,978,541	\$ 66,978,541
<b>Vancouver Island Health Authority</b>									
Multiple	2019-2023	Minor Capital	11,008,759	2,780,029	1,069,701	679,230	1,748,931	1,031,098	1,031,098
Sec 20(3)	2023	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
182	2021	Victoria UPCC #2	4,998,639	1,499,592	1,246,340	7,851	1,254,191	-	-
<b>Mount St. Mary Hospital</b>									
Sec 20(3)	2023	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
<b>Gorge Road Hospital</b>									
Multiple	2019-2023	Minor Capital	6,389,362	1,032,167	676,788	28,954	705,742	326,425	326,425
<b>Juan de Fuca Hospital</b>									
Multiple	2019-2023	Minor Capital	6,805,964	1,693,549	1,382,614	186,883	1,569,497	124,052	124,052
<b>Lady Minto Hospital</b>									
Multiple	2019-2023	Minor Capital	213,036	47,314	44,950	-	44,950	2,364	2,364
183	2021	Emergency Dept. Redevelopment	12,800,000	3,738,000	1,137,307	1,860,746	2,998,053	739,947	739,947
<b>Queen Alexandra Hospital</b>									
Multiple	2019-2023	Minor Capital	2,897,750	766,562	216,788	166,157	382,945	383,617	383,617
<b>Royal Jubilee Hospital</b>									
Multiple	2019-2023	Minor Capital	32,248,948	5,814,170	2,360,765	1,324,570	3,685,335	2,128,835	2,128,835
188	2023	Relocation MHSU ACT Teams	2,000,000	600,000	-	60,000	60,000	-	-
<b>Saanich Peninsula Hospital</b>									
Multiple	2019-2023	Minor Capital	2,952,763	762,596	334,556	42,928	377,484	385,112	385,112
<b>Victoria General Hospital</b>									
Multiple	2019-2023	Minor Capital	39,602,060	5,853,613	2,142,245	1,099,926	3,242,171	2,611,442	2,611,442
185	2022	High Acuity Unit	3,397,183	1,019,155	790,941	228,214	1,019,155	-	-
189	2023	MDRD Expansion	4,240,000	1,272,000	-	17,552	17,552	1,254,448	1,254,448
<b>Total Commitments</b>			<b>\$ 356,203,464</b>	<b>\$ 96,941,947</b>	<b>\$ 11,402,995</b>	<b>\$ 8,787,670</b>	<b>\$ 20,190,665</b>	<b>\$ 75,965,881</b>	<b>\$ 75,965,881</b>



**8. CONTRACTUAL OBLIGATIONS**

The Hospital District has \$89,343 in outstanding contractual obligations as at December 31, 2023 (2022: \$nil).

**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, \$947,496 (2022: \$883,575) of administrative support and project management services from the CRD, of which \$nil (2022: \$nil) 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, \$120,653 (2022: \$118,287) to the CRD, to cost share in administrative support and project management services.

**11. ACCUMULATED SURPLUS**

	<b>2023</b>	<b>2022</b>
		<b>Restated (Note 2)</b>
<u>Surplus/(Deficit):</u>		
Accumulated Surplus/(Deficit)	\$ 8,061,145	\$ (4,990,225)
Reserve funds set aside for specific purposes:		
Debt Management Reserve	7,193,643	3,359,413
Regional Housing First Program Reserve	11,327,857	10,383,057
Summit Management Reserve	1,332,941	891,288
Land Holdings Management Reserve	1,662,088	1,405,013
Minor Capital Projects Reserve	6,992,945	6,771,594
Hospital District Act Section 20(3) Reserve	3,037,901	2,739,732
Accumulated Surplus	<u>\$ 39,608,520</u>	<u>\$ 20,559,872</u>

**12. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2023 operating and capital budgets approved by the Board on March 15, 2023. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>Budget Amount</b>
Revenue budget	\$ 32,678,573
Less:	
Transfers from reserve	(394,051)
Revenue per Financial Statements	<u>32,284,522</u>
Expense budget	32,678,573
Add:	
Grants to district hospitals	3,868,603
Less:	
Transfers to reserve	(3,783,952)
Debt principal payments	(13,918,997)
Expense per Financial Statements	<u>18,844,227</u>
<b>Annual Surplus</b>	<b><u>\$ 13,440,295</u></b>

**13. CONTINGENT LIABILITY**

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, investments, 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 2022.

#### 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 2022.

##### 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 2022.

###### 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 2022.

## Grants to District Hospitals

For the year ended December 31, 2023

	Total grants December 31 2022	Expense 2023	Transfers to completed projects	Total grants December 31 2023
<b>PROJECTS IN PROGRESS</b>				
Designated Health Care facilities	\$ 1,770,686	\$ 129,659	\$ -	\$ 1,900,345
Vancouver Island Health Authority	8,652,998	3,612,081	(4,136,661)	8,128,418
Gorge Road Hospital	749,927	28,954	(89,668)	689,213
Juan de Fuca Hospital	1,856,202	186,883	(1,122,548)	920,537
Lady Minto Hospital	1,532,246	1,860,746	(39,735)	3,353,257
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	216,787	166,157	(49,489)	333,455
Royal Jubilee Hospital	9,376,617	1,384,570	(1,199,133)	9,562,054
Saanich Peninsula Hospital	1,261,454	42,928	(273,189)	1,031,193
Victoria General Hospital	4,280,683	1,345,692	(2,097,923)	3,528,452
	<u>29,727,600</u>	<u>8,787,670</u>	<u>(9,038,346)</u>	<u>29,476,924</u>
<b>COMPLETED PROJECTS</b>				
Designated Health Care facilities	22,394,214	-	-	22,394,214
Vancouver Island Health Authority	86,471,323	-	4,136,661	90,607,984
Gorge Road Hospital	8,172,791	-	89,668	8,262,459
Juan de Fuca Hospital	37,810,609	-	1,122,548	38,933,157
Lady Minto Hospital	5,821,332	-	39,735	5,861,067
Mount St. Mary Hospital - Fairfield	15,509,545	-	30,000	15,539,545
Queen Alexandra Hospital	9,469,944	-	49,489	9,519,433
Royal Jubilee Hospital	261,230,991	-	1,199,133	262,430,124
Saanich Peninsula Hospital	20,502,548	-	273,189	20,775,737
Victoria General Hospital	100,464,882	-	2,097,923	102,562,805
	<u>567,848,179</u>	<u>-</u>	<u>9,038,346</u>	<u>576,886,525</u>
	<u>597,575,779</u>	<u>8,787,670</u>	<u>-</u>	<u>606,363,449</u>
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	<u>(126,010,301)</u>	<u>-</u>	<u>-</u>	<u>(126,010,301)</u>
	<u>\$ 471,565,478</u>	<u>\$ 8,787,670</u>	<u>\$ -</u>	<u>\$ 480,353,148</u>

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



| **Capital Regional Hospital District**

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