

An aerial photograph of a large marina filled with numerous sailboats of various sizes. The water is a deep, clear blue, and the sky is a bright, clear blue. In the background, there are small islands and a coastline with some buildings. The overall scene is peaceful and scenic.

Capital Regional Hospital District

2019 Financial Statements

British Columbia, Canada
Fiscal year ended December 31, 2019

CRHD
Capital Regional Hospital District

Table of Contents

Consolidated Financial Statements

Independent Auditors' Report	3
Management Report	6

Statements

1. Statement of Financial Position	7
2. Statement of Operations	8
3. Statement of Change in Net Debt	9
4. Statement of Cash Flows	10

Notes

Notes to Financial Statements	11
---	----

Schedules

1. Grants to District Hospitals	21
---	----



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

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, 2019
- 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, 2019, 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 13, 2020

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, 2019.

On behalf of Capital Regional Hospital District,



Nelson Chan, MBA, CPA, CMA
Chief Financial Officer
May 13, 2020

Statement of Financial Position

For the year ended December 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (Note 2)	\$ 30,379,935	\$ 26,460,362
Investments	-	26,000,000
Accounts receivable	314,592	836,740
Prepaid expenses	-	50,000
Restricted cash - MFA Debt Reserve Fund (Note 3)	4,068,049	4,090,984
Land for resale	-	38,137
	<u>34,762,576</u>	<u>57,476,223</u>
Financial liabilities		
Accounts payable and other liabilities	8,506,833	8,908,625
Due to Capital Regional District	123,208	139,656
Long-term debt (Note 4)	161,663,460	175,272,337
	<u>170,293,501</u>	<u>184,320,618</u>
Net debt	(135,530,925)	(126,844,395)
Non-financial assets		
Tangible capital assets (Note 5)	88,960,507	58,487,876
Commitments (Note 6)		
Contractual rights (Note 7)		
Contingent liabilities (Note 11)		
Subsequent events (Note 13)		
Accumulated Deficit (Note 9)	<u>\$ (46,570,418)</u>	<u>\$ (68,356,519)</u>

The accompanying notes are an integral part of these financial statements



Nelson Chan, MBA, CPA, CMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2019

	Budget	2019	2018
	(Note 10)		
Revenue			
Taxation - Municipalities	\$ 28,547,726	\$ 28,547,725	\$ 28,215,495
Taxation - Electoral Areas	2,107,057	2,107,057	2,059,436
Taxation - First Nations	95,197	95,196	98,729
Payments in lieu of taxes	925,163	925,163	968,447
Interest income	576,000	1,208,798	1,484,583
Debenture maturity refund	151,000	12,680	5,656
Actuarial adjustment on long-term debt	-	5,741,710	5,231,778
	32,402,143	38,638,329	38,064,124
Expenses			
Grants to district hospitals (Schedule A)	8,836,015	6,439,785	7,404,492
Interest on long-term debt	10,225,208	9,520,398	10,577,699
Interest on temporary borrowings	121,000	906	7,547
Operating expenses	973,173	891,139	896,893
	20,155,396	16,852,228	18,886,631
Annual surplus	12,246,747	21,786,101	19,177,493
Accumulated deficit, beginning of year	(68,356,519)	(68,356,519)	(87,534,012)
Accumulated deficit, end of year (Note 9)	\$ (56,109,772)	\$ (46,570,418)	\$ (68,356,519)

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2019

	Budget	2019	2018
	(Note 10)		
Annual surplus	\$ 12,246,747	\$ 21,786,101	\$ 19,177,493
Acquisition of tangible capital assets	(46,752,364)	(30,434,494)	(26,720,238)
Reclassification of land held for resale		(38,137)	-
Change in net debt	(34,505,617)	(8,686,530)	(7,542,745)
Net debt, beginning of year	(126,844,395)	(126,844,395)	(119,301,650)
Net debt, end of year	\$ (161,350,012)	\$ (135,530,925)	\$ (126,844,395)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 21,786,101	\$ 19,177,493
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,741,710)	(5,231,778)
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	522,148	129,348
Accounts payable and accrued liabilities	(401,792)	3,445,967
Due to/(from) Capital Regional District	(16,448)	22,388
Prepaid expenses	50,000	(50,000)
Restricted cash	22,935	(28,307)
Net change in cash from operating activities	16,221,234	17,465,111
Capital activities:		
Cash used to acquire tangible capital assets	(30,434,494)	(26,720,238)
Net change in cash from capital activities	(30,434,494)	(26,720,238)
Investing activities:		
Net change in investments	26,000,000	14,000,000
	26,000,000	14,000,000
Financing activities:		
Additions to long-term debt	7,036,817	1,468,253
Repayment of long-term debt	(14,903,984)	(13,413,512)
Net change in cash from financing activities	(7,867,167)	(11,945,259)
Net change in cash and cash equivalents	3,919,573	(7,200,386)
Cash and cash equivalents, beginning of year	26,460,362	33,660,748
Cash and cash equivalents, end of year	\$ 30,379,935	\$ 26,460,362
Cash paid for interest	\$ 9,726,175	\$ 10,710,697
Cash received for interest	1,208,798	1,499,617

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, 2019

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 equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Deficit.

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) Investments

Investments are recorded at cost plus reinvested earnings. Investment income is reported in the period earned.

j) Financial Instruments

Financial instruments consist of cash, cash equivalents, accounts receivable, investments, accounts payable and other liabilities, due to – Capital Regional District, and long term debt. All financial assets and financial liabilities are measured at cost or amortized cost and the effective interest method is used for financial instruments measured using amortized cost.

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. CASH AND CASH EQUIVALENTS

	2019		2018	
Cash in bank	\$	30,291,013	\$	26,373,064
MFA Money Market		88,922		87,297
	\$	<u>30,379,935</u>	\$	<u>26,460,362</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, 2019 is \$4,068,049 (2018: \$4,090,984).

4. LONG-TERM DEBT

a) Debt

Long-term debt represents gross debt borrowings of \$300,400,952 (2018: \$305,523,646) net of repayments and actuarial adjustments of \$138,737,492 (2018: \$130,251,309).

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:

2020	2021	2022	2023	2024
\$ 14,402,045	\$ 13,655,055	\$ 12,520,561	\$ 11,487,050	\$ 9,527,925

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

2019	2018
1.97% to 2.66%	2.65% to 3.20%

The long-term debt bears interest at rates ranging from 1.45% to 4.90%. The weighted average interest rate in 2019 is 2.83% (2018: 3.30%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$9,714,527 (2018: \$10,063,872). 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. TANGIBLE CAPITAL ASSETS

2019					
	Land	Building	Work in Progress	Total	
Cost					
Balance, beginning of year	\$ 13,959,120	\$ 288,570	\$ 44,240,186	\$ 58,487,876	
Transfers	288,570	(288,570)	-	-	
Additions	38,137	74,674,680	30,434,494	105,147,311	
Disposals	-	-	(74,674,680)	(74,674,680)	
Balance, end of year	\$ 14,285,827	\$ 74,674,680	\$ -	\$ 88,960,507	
2018					
	Land	Building	Work in Progress	Total	
Cost					
Balance, beginning of year	\$ 13,959,120	\$ 288,570	\$ 17,519,948	\$ 31,767,638	
Additions	-	-	26,720,238	26,720,238	
Balance, end of year	\$ 13,959,120	\$ 288,570	\$ 44,240,186	\$ 58,487,876	

During the year, a building with a net book value of \$288,570 was transferred from building to land as it was acquired with the intention to demolish on development of the property.

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.

b) The Summit at Quadra Village Complex Care Facility Project

The Hospital District is committed to finance the capital cost of the Summit at Quadra Village, a 320 bed, complex care facility, estimated at \$86,443,285. In December 2019, the facility was substantially completed and building costs to date were transferred from work in progress to buildings. Under agreement, the property will be leased to Island Health to be utilized as a long-term complex care facility. The lease agreement with Island Health is for a 25 year period and annually lease payments are \$4,338,178.

	2019		2018	
Capital Budget (including land)	\$	86,443,285	\$	86,443,285
Less:				
Expenditures to date		(81,181,926)		(50,747,431)
Commitments at December 31		(3,171,872)		(30,453,056)
Remaining Balance	\$	2,089,487	\$	5,242,797

6. 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, 2018	Funded in Current Year (Schedule A)	Funded to December 31, 2019	Remaining Commitment
Sec 20(3)	Equipment and Non-Traditional Projects 2019	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -
CBL 151	Mt. View Heights 2010	2,000,000	2,000,000	1,466,664	-	1,466,664	533,336
CBL 164	Minor Capital Projects 2015	14,803,659	3,750,000	2,941,838	66,265	3,008,103	-
CBL 165	Endoscopy Renovation 2015 (VGH)	2,200,000	660,000	655,429	4,239	659,668	332
CBL 168	Unit Dose Medication Distribution Project 2016 (RJH)	10,310,000	4,124,000	3,342,693	251,428	3,594,121	529,879
CBL 169	Minor Capital Projects 2016	13,831,153	3,750,000	3,274,295	57,481	3,331,776	418,224
CBL 170	Minor Capital Projects 2017	19,772,954	3,750,000	3,227,875	376,403	3,604,278	145,722
CBL 171	Minor Capital Projects 2018	20,683,223	3,750,000	1,413,579	1,696,468	3,110,047	639,953
CBL 172	Westshore Urgent & Primary Care Centre	4,240,000	1,272,000	-	304,222	304,222	967,778
CBL 173	Minor Capital Projects 2019	19,030,689	3,750,000	-	728,279	728,279	3,021,721
		\$ 109,826,678	\$ 29,761,000	\$ 16,322,373	\$ 6,439,785	\$ 22,762,158	\$ 6,256,945

Minor Capital Projects are defined as projects valued between \$100,000 and \$2,000,000 to sustain exiting infrastructure, replace building components and improve functionality. Major Capital Projects are defined as projects valued at greater than \$2,000,000 and modify, expand/enhance or replace existing health service/program spaces. Island Health's project cost is based on their capital plan and may be dependent on other funding partners. 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. Bylaws are not always 100% expended.

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

		Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2018	Funded in Current Year (Schedule A)	Funded to December 31, 2019	Remaining Commitment	Planned Approved Funding 2020 - 2024
APPROVED AND ACTIVE CAPITAL PROJECTS								
Designated Health Care Facilities								
151	2010	\$ 2,000,000	\$ 2,000,000	\$ 1,466,664	-	\$ 1,466,664	\$ 533,336	\$ -
172	2019	4,240,000	1,272,000	-	304,222	304,222	967,778	218,000
Vancouver Island Health Authority								
Multiple	2015-2019	4,414,724	815,384	769,531	58,863	828,394	(13,010)	(13,010)
Sec 20(3)	2019	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
Mount St. Mary Hospital								
Sec 20(3)	2019	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital								
Multiple	2015-2019	4,275,000	790,414	582,211	47,622	629,833	91,146	91,146
Juan de Fuca Hospital								
Multiple	2015-2019	12,882,536	2,537,615	948,803	303,112	1,251,915	954,950	954,950
Lady Minto Hospital								
Multiple	2015-2019	3,052,517	949,598	782,615	59,433	842,048	80,641	80,642
Queen Alexandra Hospital								
Multiple	2015-2019	5,170,592	1,180,404	940,180	175,888	1,116,068	64,208	64,208
Royal Jubilee Hospital								
Multiple	2015-2019	31,417,365	6,493,269	3,824,101	1,157,735	4,981,836	1,461,740	1,461,740
168	2016	10,310,000	4,124,000	3,342,693	251,428	3,594,121	529,879	529,879
Saanich Peninsula Hospital								
Multiple	2015-2019	5,205,774	1,154,506	461,945	493,447	955,392	199,114	199,114
Victoria General Hospital								
Multiple	2015-2019	21,703,170	4,828,810	2,548,201	628,796	3,176,997	1,386,831	1,386,830
165	2015	2,200,000	660,000	655,429	4,239	659,668	332	-
		109,826,678	29,761,000	16,322,373	6,439,785	22,762,158	6,256,945	4,973,499
PLANNED CAPITAL PROJECTS								
174	2020	5,000,000	1,500,000	-	-	-	1,500,000	1,500,000
175	2020	4,500,000	1,350,000	-	-	-	1,350,000	1,350,000
		119,326,678	32,611,000	16,322,373	6,439,785	22,762,158	9,106,945	7,823,499

7. CONTRACTUAL RIGHTS

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 will move in Spring 2020. Under the agreement, Island Health will contribute through annual lease payments over a 25 year period. Lease payments commence February 1, 2020 and are \$4,338,178 annually.

8. 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, \$795,300 (2018: \$770,723) of administrative support and project management services from the CRD, of which \$141,985 (2018: \$131,346) 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 \$30 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, \$138,387 (2018: \$149,341) to the CRD, to cost share in administrative support and project management services.

9. ACCUMULATED DEFICIT

Accumulated deficit consists of individual fund surpluses, deficits and reserves as follows:

Deficit:	2019	2018
Other	\$ (62,644,107)	\$ (82,075,476)
Reserve funds set aside for specific purposes:		
Land Development Reserve Fund	6,104,498	5,956,904
Regional Housing First Health Projects Reserve	1,250,000	-
Capital Loan Fund	4,967,515	4,142,411
Hospital District Act Section 20(3) Reserve	3,751,676	3,619,642
	\$ (46,570,418)	\$ (68,356,519)
Accumulated Deficit	\$ (46,570,418)	\$ (68,356,519)

10. BUDGET DATA

The budget data presented in these financial statements is based upon the 2019 operating and capital budgets approved by the Board on March 20, 2019. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 33,389,503
Less:	
Prior-year surplus	(987,360)
Revenue per Financial Statements	<u>32,402,143</u>
Expense budget	33,389,503
Add:	
Grants to district hospitals	2,131,015
Less:	
Transfers to reserve	(1,300,000)
Debt principal payments	(14,065,122)
Expense per Financial Statements	<u>20,155,396</u>
Annual Surplus	<u>\$ 12,246,747</u>

11. 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.

12. FINANCIAL INSTRUMENTS

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, cash and cash equivalents and investments. 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 2018.

12. FINANCIAL INSTRUMENTS (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 2018.

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 2018.

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 with the Municipal Finance Authority. This risk applies only to long term debt with amortization periods exceeding 10 years which may be reinforced at that time and is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2018.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

Grants to District Hospitals

For the year ended December 31, 2019

	Total grants December 31 2018	Expense 2019	Transfers to completed projects	Total grants December 31 2019
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,466,464	\$ 304,222	\$ -	\$ 1,770,686
Vancouver Island Health Authority	6,590,641	3,026,393	(2,925,000)	6,692,033
Gorge Road Hospital	655,351	47,623	(198,565)	504,409
Juan de Fuca Hospital	1,549,704	303,112	(509,965)	1,342,851
Lady Minto Hospital	1,132,605	59,432	(43,092)	1,148,945
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	940,179	175,889	(403,338)	712,730
Royal Jubilee Hospital	14,182,646	1,409,163	(1,205,888)	14,385,921
Saanich Peninsula Hospital	1,388,843	493,446	-	1,882,289
Victoria General Hospital	4,593,660	590,505	(1,306,924)	3,877,241
	<u>32,530,092</u>	<u>6,439,785</u>	<u>(6,622,772)</u>	<u>32,347,106</u>
COMPLETED PROJECTS				
Designated Health Care facilities	21,034,214	-	-	21,034,214
Vancouver Island Health Authority	70,954,224	-	2,925,000	73,879,224
Gorge Road Hospital	7,552,216	-	198,565	7,750,781
Juan de Fuca Hospital	36,622,396	-	509,965	37,132,361
Lady Minto Hospital	5,008,395	-	43,092	5,051,487
Mount St. Mary Hospital - Fairfield	15,389,545	-	30,000	15,419,545
Queen Alexandra Hospital	8,321,844	-	403,338	8,725,182
Royal Jubilee Hospital	252,576,474	-	1,205,888	253,782,362
Saanich Peninsula Hospital	19,648,611	-	-	19,648,611
Victoria General Hospital	96,423,914	-	1,306,924	97,730,838
	<u>533,531,833</u>	<u>-</u>	<u>6,622,772</u>	<u>540,154,605</u>
	566,061,925	6,439,785	-	572,501,711
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>\$ 440,051,624</u>	<u>\$ 6,439,785</u>	<u>\$ -</u>	<u>\$ 446,491,410</u>

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



Capital Regional District

625 Fisgard Street
Victoria, BC V8W 2S6
250.360.3000

www.crd.bc.ca
Twitter: @crd_bc
Facebook: Capital Regional District