

Capital Regional Hospital District 2020 Financial Statement

British Columbia, Canada

Fiscal year ended December 31, 2020



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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, 2020
- 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, 2020, 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 12, 2021

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, 2020.

On behalf of Capital Regional Hospital District,



Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 12, 2021

Statement of Financial Position

As at December 31, 2020

	2020	2019
Financial assets		
Cash and cash equivalents (Note 2)	\$ 23,627,273	\$ 30,379,935
Accounts receivable		
Due from Capital Regional District	701,170	-
Other	58,046	314,592
Restricted cash - MFA Debt Reserve Fund (Note 3)	3,905,704	4,068,049
	<u>28,292,193</u>	<u>34,762,576</u>
Financial liabilities		
Accounts payable and other liabilities	3,783,702	8,506,833
Deferred revenue	361,515	-
Due to Capital Regional District	-	123,208
Long-term debt (Note 4)	141,896,510	161,663,460
	<u>146,041,727</u>	<u>170,293,501</u>
Net debt	(117,749,534)	(135,530,925)
Non-financial assets		
Tangible capital assets (Note 5)	99,710,197	88,960,507
Commitments (Note 6)		
Contractual obligations (Note 7)		
Contractual rights (Note 8)		
Accumulated Deficit (Note 10)	<u>\$ (18,039,337)</u>	<u>\$ (46,570,418)</u>

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, 2020

	Budget	2020	2019
	(Note 11)		
Revenue			
Taxation - Municipalities	\$ 27,226,407	\$ 27,226,407	\$ 28,547,725
Taxation - Electoral Areas	2,068,174	2,068,174	2,107,057
Taxation - First Nations	88,466	88,466	95,196
Payments in lieu of taxes	890,109	890,109	925,163
Lease and other property revenue	4,032,420	4,054,227	-
Interest income	175,000	390,713	1,208,798
Debenture maturity refund	244,000	19,291	12,680
Contributed revenue	-	9,299,990	-
Actuarial adjustment on long-term debt	-	5,960,910	5,741,710
	34,724,576	49,998,287	38,638,329
Expenses			
Grants to district hospitals (Schedule A)	13,547,009	9,033,239	6,439,785
Interest on long-term debt	8,519,580	7,969,899	9,520,398
Interest on temporary borrowings	65,000	1,367	906
Amortization	-	3,077,136	-
Operating expenses	1,282,137	1,385,565	891,139
	23,413,726	21,467,206	16,852,228
Annual surplus	11,310,850	28,531,081	21,786,101
Accumulated deficit, beginning of year	(46,570,418)	(46,570,418)	(68,356,519)
Accumulated deficit, end of year	\$ (35,259,568)	\$ (18,039,337)	\$ (46,570,418)

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2020

	Budget	2020	2019
	(Note 11)		
Annual surplus	\$ 11,310,850	\$ 28,531,081	\$ 21,786,101
Acquisition of tangible capital assets	(20,261,359)	(4,526,836)	(30,434,494)
Contributed tangible capital assets	-	(9,299,990)	-
Amortization of tangible capital assets	-	3,077,136	-
Reclassification of land held for resale	-	-	(38,137)
Change in net debt	(8,950,509)	17,781,391	(8,686,530)
Net debt, beginning of year	(135,530,925)	(135,530,925)	(126,844,395)
Net debt, end of year	\$ (144,481,434)	\$ (117,749,534)	\$ (135,530,925)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 28,531,081	\$ 21,786,101
Items not involving cash:		
Actuarial adjustment on long-term debt	(5,960,910)	(5,741,710)
Amortization	3,077,136	-
Contributed tangible capital assets	(9,299,990)	-
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	256,546	522,148
Accounts payable and accrued liabilities	(4,723,131)	(401,792)
Deferred revenue	361,515	-
Due to/(from) Capital Regional District	(824,378)	(16,448)
Prepaid expenses	-	50,000
Restricted cash	162,345	22,935
Net change in cash from operating activities	11,580,214	16,221,234
Capital activities:		
Cash used to acquire tangible capital assets	(4,526,836)	(30,434,494)
Net change in cash from capital activities	(4,526,836)	(30,434,494)
Investing activities:		
Net change in investments	-	26,000,000
Net change in cash from investing activities	-	26,000,000
Financing activities:		
Additions to long-term debt	596,005	7,036,817
Repayment of long-term debt	(14,402,045)	(14,903,984)
Net change in cash from financing activities	(13,806,040)	(7,867,167)
Net change in cash and cash equivalents	(6,752,662)	3,919,573
Cash and cash equivalents, beginning of year	30,379,935	26,460,362
Cash and cash equivalents, end of year	\$ 23,627,273	\$ 30,379,935
Cash paid for interest	\$ 8,212,747	\$ 9,726,175
Cash received for interest	390,713	1,208,798

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, 2020

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 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, accounts payable and other liabilities, due from – 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

	2020		2019	
Cash in bank	\$	23,537,598	\$	30,291,013
MFA Money Market		89,675		88,922
	\$	<u>23,627,273</u>	\$	<u>30,379,935</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, 2020 is \$3,905,704 (2019: \$4,068,049)

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

Long-term debt represents gross debt borrowings of \$287,424,507 (2019: \$300,400,952) net of repayments and actuarial adjustments of \$145,527,997 (2019: \$138,737,492).

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:

	2021	2022	2023	2024	2025
	\$ 13,857,161	\$ 12,722,667	\$ 11,689,156	\$ 9,730,031	\$ 6,677,484

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

2020	2019
0.91% to 1.99%	1.97% to 2.66%

The long-term debt bears interest at rates ranging from 0.91% to 4.20%. The weighted average interest rate in 2020 is 2.56% (2019: 2.83%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$9,141,471 (2019: \$9,714,527). 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

	Cost			Accumulated Amortization			Net Book Value at December 31, 2020
	Balance at December 31, 2019	Additions	Transfers	Balance at December 31, 2020	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

	Cost			Accumulated Amortization			Net Book Value at December 31, 2019
	Balance at December 31, 2018	Additions	Transfers	Balance at December 31, 2019	Amortization Expense	Balance at December 31, 2019	
Work in Progress	\$ 44,240,186	30,434,494	(74,674,680)	\$ -	-	-	\$ -
Land	13,959,120	38,137	288,570	14,285,827	-	-	14,285,827
Buildings	288,570	-	74,386,110	74,674,680	-	-	74,674,680
	\$ 58,487,876	30,472,631	-	\$ 88,960,507	-	-	\$ 88,960,507

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) Oak Bay Lodge

In 2020, the Hospital District purchased the Oak Bay Lodge, at 2251 Cadboro Bay Road, from the Vancouver Island Health Authority for \$10. The asset addition was recorded at its fair market value of \$9,300,000 plus acquisition costs of \$5,763.

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, 2019	Funded in Current Year (Schedule A)	Funded to December 31, 2020	Remaining Commitment
Sec 20(3)	Equipment and Non-Traditional Projects	\$ 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 168	Unit Dose Medication Distribution 2016 (RJH)	10,310,000	4,124,000	3,594,121	19,220	3,613,341	-
CBL 169	Minor Capital Projects 2016	13,831,153	3,750,000	3,331,776	3,220	3,334,996	-
CBL 170	Minor Capital Projects 2017	19,772,954	3,750,000	3,604,278	23,478	3,627,756	122,242
CBL 171	Minor Capital Projects 2018	20,683,223	3,750,000	3,110,046	357,869	3,467,915	282,085
CBL 172	Westshore UPCC	4,240,000	1,272,000	304,222	6,899	311,121	-
CBL 173	Minor Capital Projects 2019	19,030,689	3,750,000	728,279	2,828,843	3,557,122	192,878
CBL 174	James Bay UPCC	5,000,000	1,500,000	-	564,617	564,617	935,383
CBL 175	Beacon Services Expansion	4,500,000	1,350,000	-	753,734	753,734	596,266
CBL 176	Minor Capital Projects 2020	17,554,299	3,750,000	-	1,323,455	1,323,455	2,426,545
CBL 177	Victoria UPCC	5,000,000	1,500,000	-	196,904	196,904	1,303,096
		\$ 124,877,318	\$ 33,451,000	\$ 16,139,386	\$ 9,033,239	\$ 25,172,625	\$ 6,391,831

Minor Capital Projects 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 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:

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2019	Funded in Current Year (Schedule A)	Funded to December 31, 2020	Remaining Commitment	Planned Approved Funding 2021 - 2025
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
151	2010	Mt View Heights	\$ 2,000,000	\$ 2,000,000	\$ 1,466,664	-	\$ 1,466,664	\$ 533,336	\$ -
Vancouver Island Health Authority									
Multiple	2016-2020	Minor Capital	8,406,362	2,315,712	764,722	784,418	1,549,140	766,409	766,409
Sec 20(3)	2020	Equipment Grant	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
172	2019	Westshore UPCC	4,240,000	1,272,000	304,222	6,899	311,121	-	-
174	2020	James Bay UPCC	5,000,000	1,500,000	-	564,617	564,617	935,383	108,000
175	2020	Beacon Services Expansion	4,500,000	1,350,000	-	753,734	753,734	596,266	596,266
177	2020	Victoria UPCC	5,000,000	1,500,000	-	196,904	196,904	1,303,096	1,303,096
Mount St. Mary Hospital									
Sec 20(3)	2020	Movable Equipment Grant	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2016-2020	Minor Capital	4,556,932	1,040,828	431,268	56,995	488,263	552,565	552,565
Juan de Fuca Hospital									
Multiple	2016-2020	Minor Capital	12,129,886	2,073,660	805,622	1,060,501	1,866,123	207,537	207,537
Lady Minto Hospital									
Multiple	2016-2020	Minor Capital	2,744,785	884,814	798,956	14,634	813,590	67,717	67,717
Queen Alexandra Hospital									
Multiple	2016-2020	Minor Capital	3,675,592	776,938	712,731	2,373	715,104	61,834	61,834
Royal Jubilee Hospital									
Multiple	2016-2020	Minor Capital	30,981,458	5,972,248	3,775,947	1,290,643	5,066,590	819,991	819,991
168	2016	UDMD	10,310,000	4,124,000	3,594,121	19,220	3,613,341	-	-
Saanich Peninsula Hospital									
Multiple	2016-2020	Minor Capital	5,515,649	1,191,018	955,392	167,246	1,122,638	45,662	45,662
Victoria General Hospital									
Multiple	2016-2020	Minor Capital	22,861,654	4,494,782	2,529,741	1,160,055	3,689,796	502,035	502,035
			124,877,318	33,451,000	16,139,386	9,033,239	25,172,625	6,391,831	5,031,112
PLANNED CAPITAL PROJECTS									
TBD	2021	Victoria UPCC	4,998,639	1,499,592	-	-	-	1,499,592	1,499,592
TBD	2021	Esquimalt UPCC	2,954,713	886,414	-	-	-	886,414	886,414
TBD	2021	Emergency Dept. (LMH)	10,340,000	3,000,000	-	-	-	3,000,000	3,000,000
			143,170,670	38,837,006	16,139,386	9,033,239	25,172,625	11,778,837	10,417,118

7. CONTRACTUAL OBLIGATIONS

At December 31, 2020, the Hospital District has outstanding commitments to capital projects and operating contracts totalling \$322,519.

8. 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 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.

9. 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, \$727,404 (2019: \$795,300) of administrative support and project management services from the CRD, of which \$16,622 (2019: \$141,985) 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, \$141,154 (2019: \$138,387) to the CRD, to cost share in administrative support and project management services.

10. ACCUMULATED DEFICIT

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

	<u>2020</u>	<u>2019</u>
<u>Deficit:</u>		
Other	\$ (38,260,070)	\$ (62,644,107)
Reserve funds set aside for specific purposes:		
Land Development Reserve	6,180,199	6,104,498
Regional Housing First Program Reserve	5,783,318	1,250,000
Summit Management Reserve	265,487	-
Land Holdings Management Reserve	1,193,653	288,923
Capital Loan Fund	3,438,752	4,967,515
Hospital District Act Section 20(3) Reserve	3,359,324	3,462,753
Accumulated Deficit	<u>\$ (18,039,337)</u>	<u>\$ (46,570,418)</u>

11. BUDGET DATA

The budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the Board on March 18, 2020. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 37,441,471
Less:	
Transfers from reserve	(2,211,897)
Prior-year surplus	(504,998)
Revenue per Financial Statements	<u>34,724,576</u>
Expense budget	37,441,471
Add:	
Grants to district hospitals	5,482,009
Less:	
Transfers to reserve	(4,955,849)
Debt principal payments	(14,553,905)
Expense per Financial Statements	<u>23,413,726</u>
Annual Surplus	<u>\$ 11,310,850</u>

12. 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.

13. 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 2019.

13. 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 2019.

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 2019.

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 refinanced at that time and is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2019.

14. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the Hospital District's response to the pandemic did not have a material impact on the Hospital District's operating results and financial position in 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Hospital District is not known at this time.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the CRHD approved the acquisition of vacant land for a future health care facility. On April 14, 2021, the Board voted to remove conditions and proceed with acquiring the land for a purchase price of \$8 million. A non-refundable deposit of \$1.2 million was paid on April 16, 2021 and the balance of the acquisition cost will be payable when the contract completes on November 23, 2021.

On April 14, 2021, the CRHD Board authorized staff to award a contract in the amount of \$3.5 million for the abatement and building demolition of 2251 Cadboro Bay Road

Grants to District Hospitals

For the year ended December 31, 2020

	Total grants December 31, 2019	Expense 2020	Transfers to completed projects	Total grants December 31, 2020
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 1,770,686	\$ 1,522,154	\$ -	\$ 3,292,840
Vancouver Island Health Authority	6,692,033	3,709,418	(3,236,121)	7,165,330
Gorge Road Hospital	504,409	56,995	(74,415)	486,989
Juan de Fuca Hospital	1,342,851	1,060,501	(63,509)	2,339,843
Lady Minto Hospital	1,148,945	14,634	(565,788)	597,791
Mount St. Mary Hospital	30,000	30,000	(30,000)	30,000
Queen Alexandra Hospital	712,730	2,373	(143,544)	571,559
Royal Jubilee Hospital	14,385,921	1,309,863	(4,888,750)	10,807,034
Saanich Peninsula Hospital	1,882,289	167,246	(211,282)	1,838,253
Victoria General Hospital	3,877,241	1,160,055	(1,001,049)	4,036,247
	<u>32,347,106</u>	<u>9,033,239</u>	<u>(10,214,458)</u>	<u>31,165,886</u>
COMPLETED PROJECTS				
Designated Health Care facilities	21,034,214	-	-	21,034,214
Vancouver Island Health Authority	73,879,224	-	3,236,121	77,115,345
Gorge Road Hospital	7,750,781	-	74,415	7,825,196
Juan de Fuca Hospital	37,132,361	-	63,509	37,195,870
Lady Minto Hospital	5,051,487	-	565,788	5,617,275
Mount St. Mary Hospital - Fairfield	15,419,545	-	30,000	15,449,545
Queen Alexandra Hospital	8,725,182	-	143,544	8,868,726
Royal Jubilee Hospital	253,782,362	-	4,888,750	258,671,112
Saanich Peninsula Hospital	19,648,611	-	211,282	19,859,893
Victoria General Hospital - Helmcken	97,730,838	-	1,001,049	98,731,887
	<u>540,154,605</u>	<u>-</u>	<u>10,214,458</u>	<u>550,369,063</u>
	572,501,711	9,033,239	-	581,534,949
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>\$ 446,491,410</u>	<u>\$ 9,033,239</u>	<u>\$ -</u>	<u>\$ 455,524,648</u>

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

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| **Capital Regional Hospital District**

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