



Capital Regional Hospital District

REPORT TO THE HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MAY 06, 2026

SUBJECT **Capital Regional Hospital District 2025 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Regional Hospital District (CRHD) 2025 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

The CRHD was established in 1967 under the *Hospital District Act* to provide the local share of capital funding for healthcare infrastructure in the capital region. The CRHD shares the same boundaries, board of directors and administrative staff as the Capital Regional District (CRD).

Section 17 of the *Hospital District Act* and Section 814 of the *Local Government Act* require that audited financial statements be prepared each year. The 2025 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in strategic priorities in healthcare. These include new construction, upgrades, renewals and expansion of health facilities and medical equipment. The CRHD also contributes by developing land and health facilities for Island Health to occupy for health authority purposes.

Under PSAS the CRHD is required to present four statements with accompanying notes:

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

The CRHD 2025 Audited Financial Statements (Appendix A) includes Schedule A which provides a list of contributions paid to district hospitals.

The Audit Findings Report (Appendix B) summarizes the responsibilities of the auditor, the scope of work and audit results. The report also confirms there were no significant changes in the audit approach from the Audit Planning Report presented to the Board on January 14, 2026. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as of and for the year ended December 31, 2025.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2025 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2025 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: financial assets, financial liabilities and non-financial assets. As of December 31, 2025, the CRHD is in a net debt financial position of \$35.7 million with an accumulated surplus of \$73.1 million.

Financial Assets

Financial assets as of December 31, 2025, totalled \$43.1 million, an increase of \$8.2 million from 2024. Table 1 summarizes financial assets and provides the change year-over-year.

Table 1 – Change in Financial Assets Year-Over-Year

Financial Assets (\$M)	2025	2024	\$ Change	% Change
Cash and Cash Equivalents	33.6	11.6	22.0	190%
Investments	7.0	19.5	(12.5)	(64%)
Due from CRD	-	0.5	(0.5)	(100%)
Other Receivables	0.9	1.3	(0.4)	(31%)
Restricted Cash – MFA DRF*	1.6	2.0	(0.4)	(20%)
Total Financial Assets	\$43.1	\$34.9	\$8.2	23%

*Municipal Finance Authority (MFA) Debt Reserve Fund (DRF)

Cash and Cash Equivalents: Cash increased by \$22 million as matured guaranteed investment certificates (GICs) were reallocated to high-interest savings accounts (HISAs). In addition, lower-than-planned capital activity resulted in reduced grants to Island Health and a higher cash balance at year-end.

Investments: Investments decreased by \$12.5 million as GICs were converted to cash and reallocated to HISAs offering more favourable interest rates.

Due from CRD: The balance decreased by \$0.5 million and shifted from a receivable to a payable during the year, primarily due to the timing of inter-entity transactions.

Restricted Cash: Includes the DRF, a 1% holdback by the MFA at loan inception, retained until maturity as security against default. This decreased by \$0.4 million as debt maturities exceeded new issuances during the year.

Financial Liabilities

Financial liabilities as of December 31, 2025, totalled \$78.7 million, a decrease of \$11.0 million from 2024. Table 2 summarizes financial liabilities and provides the change year-over-year.

Table 2 – Change in Financial Liabilities Year-Over-Year

Financial Liabilities (\$M)	2025	2024	\$ Change	% Change
Accounts Payable and other Liabilities	4.1	3.5	0.6	17%
Deferred Revenue	0.4	0.4	-	-
Due to CRD	0.2	-	0.2	-
Short-Term Debt	-	0.5	(0.5)	(100%)
Long-Term Debt	73.1	84.2	(11.1)	(13%)
Asset Retirement Obligation (ARO)	0.9	1.1	(0.2)	(18%)
Total Financial Liabilities	\$78.7	\$89.7	(\$11.0)	(12%)

Accounts Payable and other Liabilities: Accounts payable increased by \$0.6 million, primarily due to the timing of claim payments on major capital projects.

Due to CRD: The balance shifted from a receivable in 2024 to a payable of \$0.2 million in 2025 due to the timing of inter-entity transactions.

Short-Term Debt: The CRHD paid off \$0.5 million of outstanding short-term debt borrowed through the MFA in 2025. These debts were paid from transfers from the debt management reserve.

Long-Term Debt: Decreased by \$11.1 million as debt maturities exceeded new borrowings in 2025.

ARO: Liabilities decreased by \$0.2 million due to revised estimates driven by updated cost information.

Non-Financial Assets

Non-financial assets as of December 31, 2025, totalled \$108.7 million, a decrease of \$3.1 million from 2024. As shown in Table 3, non-financial assets consist solely of tangible capital assets.

Table 3 – Change in Non-Financial Assets Year-Over-Year

Non-Financial Assets (\$M)	2025	2024	\$ Change	% Change
Tangible Capital Assets	\$108.7	\$111.8	(\$3.1)	(3%)

Tangible capital assets decreased by \$3.1 million, primarily due to \$3.2 million in amortization expense, partially offset by minor capital activity in the year.

Additional detail is presented in the CRHD 2025 Financial Statements (Appendix A) Note 6 (Tangible Capital Assets).

2. Statement of Operations

The Statement of Operations reports the annual results of the entity’s financial activities, presenting revenues less expenses and net surplus/(deficit).

Revenue

Revenue as of December 31, 2025, totalled \$35.7 million, a decrease of \$1.4 million from 2024. Table 4 summarizes revenue and provides the change year-over-year.

Table 4 – Change in Revenue Year-Over-Year

Statement of Operations (\$M)	2025	2024	\$ Change	% Change
Requisition	26.5	26.5	-	0%
Payments in Lieu of Taxes	0.8	0.7	0.1	14%
Lease and other Property Revenue	4.4	4.6	(0.2)	(4%)
Interest Income	1.5	2.0	(0.5)	(30%)
Debenture Maturity Refund	0.7	0.1	0.6	600%
Other Revenue	0.1	-	0.1	-
Actuarial Adjustment on Long-Term Debt	1.7	3.2	(1.5)	(47%)
Total Revenue	\$35.7	\$37.1	(\$1.4)	(4%)

Lease and other Property Revenue: Decreased by \$0.2 million in 2025, primarily driven by prior year cost recoveries for Summit site insurance premiums.

Interest Income: Decreased by \$0.5 million, driven by lower reserve balances throughout the year and declining interest rates on GICs and HISAs.

Debenture Maturity Refund: The revenue increased by \$0.6 million in 2025. This refund represents interest earnings on the DRF, which are distributed as debt matures. The increase in revenue for 2025 is due to more debt maturities compared to 2024

Actuarial Adjustment on Long-Term Debt: The actuarial adjustment reflects earnings on the CRHD’s principal payments towards its outstanding debt with the MFA. Recognized annually starting one year after the first principal payment, it reduces the outstanding loan balance over time. As debt is being retired at a faster pace than new debt is being issued, the total outstanding debt is gradually decreasing, resulting in a corresponding decline in the actuarial adjustment.

Expenses

Expenses as of December 31, 2025, totalled \$19.6 million, no change from 2024. Table 5 summarizes revenue and provides the change year-over-year.

Table 5 – Change in Expenses Year-Over-Year

Statement of Operations (\$M)	2025	2024	\$ Change	% Change
Grants to District Hospitals	10.8	9.3	1.5	16%
Interest on Long-Term and Short-Term Debt	4.0	5.1	(1.1)	(22%)
Amortization and Accretion	3.2	3.2	-	0%
Operating Expenses	1.6	2.0	(0.4)	20%
Total Expenses	\$19.6	\$19.6	-	-

Grants to District Hospitals: Increased by \$1.5 million, reflecting higher grant claims from Island Health.

Interest on Long-Term and Short-Term Debt: Interest expenses decreased \$1.1 million in 2025 as debt maturities outpaced new debt issuances, reducing overall debt balances with the MFA.

Operating Expenses: Decreased by \$0.4 million due to deferred project work and staffing vacancies.

2025 Annual Surplus

The accumulated surplus represents the CRHD’s total net equity, reflecting the sum of annual surpluses and deficits to date. As of 2025, the accumulated surplus stands at \$73.1 million, indicating that the CRHD’s total assets (both financial and non-financial) exceed its financial liabilities.

The annual surplus, which represents the excess of revenues over expenses, was \$16 million in 2025, a decrease of \$1.5 million from the previous year. While expenses remained stable year over year, revenues decreased, largely driven by a \$1.5 million reduction in actuarial adjustments on long-term debt.

Surplus funds are either transferred to reserves to support future capital commitments and operating expenses or used to repay outstanding debt.

3. Other Financial Statement Analysis

Appendix C contains an analysis of the Statement of Change in Net Debt, the Statement of Cash Flows and Schedule A - Grants to District Hospitals.

4. Financial Indicators

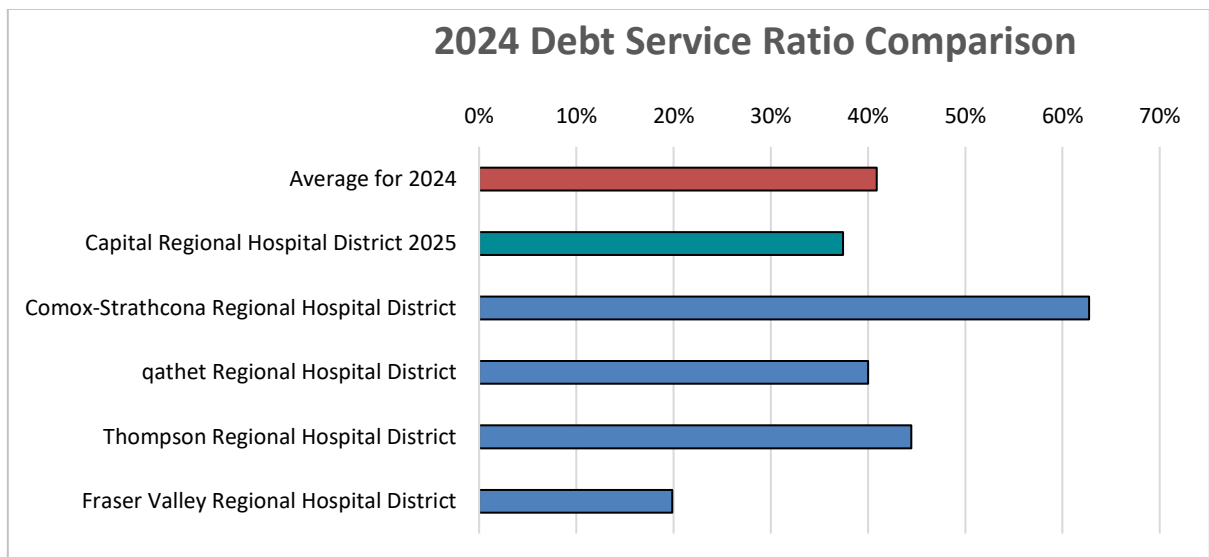
Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators measure CRHD’s performance and financial sustainability.

4.1 Debt Service Ratio – Debt Service Costs as a Percentage of Revenue

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD’s primary mandate is to secure borrowing and provide capital contributions for health facility infrastructure, a high debt servicing ratio is expected. CRHD’s debt servicing costs as percentage of revenue as of December 31, 2025, is 37% (2024: 46%).

Table 6 compares CRHD’s debt service ratio as of December 31, 2025, with the 2024 ratios of hospital districts on Vancouver Island and the southern mainland of British Columbia. CRHD’s debt service ratio is in line with the average of the hospital districts analyzed.

Table 6 – Debt Service Ratio Comparison



* CRHD benchmarked against 2024 figures because 2025 financial information is not yet available.

4.2 Current Ratio – Current Assets Versus Current Liabilities

The current ratio is a measure of the liquidity of an organization, meaning the CRHD’s ability to meet current obligations using current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unplanned expenditures. The CRHD’s current ratio as of December 31, 2025, is 9.2 to 1 (2024: 8.4 to 1), indicating the CRHD’s current assets are sufficient to pay current liabilities 9.2 times.

4.3 Interest Coverage Ratio – Interest Costs as a Percentage of Total Revenues

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD’s interest coverage ratio on December 31, 2025, is 8.9 (2024: 7.3), indicating the CRHD’s revenue is sufficient to repay interest expense 8.9 times.

CONCLUSION

Board approval of the CRHD 2025 Audited Financial Statements is required by the *Hospital District Act* and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and the MFA. As noted in the Auditor Findings Report, it is the auditor’s opinion these Financial Statements present fairly the financial position of the CRHD for the year ending December 31, 2025, in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
 That the Capital Regional Hospital District 2025 Audited Financial Statements be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services & Deputy Chief Financial Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Housing, Planning and Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: CRHD 2025 Financial Statements
- Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2025 (KPMG)]
- Appendix C: CRHD Other Financial Statement Analysis