



Capital Regional Hospital District

2018 Financial Statements

British Columbia, Canada

Fiscal year ended December 31, 2018

CRHD
Capital Regional Hospital District

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INDEPENDENT AUDITORS' REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

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

- the statement of financial position as at December 31, 2018
- 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, 2018, 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.

Chartered Professional Accountants

Victoria, Canada

May 1, 2019

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 does not relate to the other schedules and statements required by the *Financial Information Act*. Their examination includes a review and evaluation of the organization's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The independent Auditors' Report outlines the scope of the audit for the year ended December 31, 2018.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, CPA, CMA
Chief Financial Officer

May 8, 2019

- * For municipalities, the officer assigned responsibility for financial administration signs
- * Prepared pursuant to Financial Information Regulation, Schedule 1, Section 9

Statement of Financial Position

For the year ended December 31, 2018

| | 2018 | 2017 |
|--|------------------------|------------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 2) | \$ 26,460,362 | \$ 33,660,748 |
| Investments | 26,000,000 | 40,000,000 |
| Accounts receivable | 836,740 | 966,088 |
| Prepaid expenses | 50,000 | - |
| Restricted cash - MFA Debt Reserve Fund (Note 3) | 4,090,984 | 4,062,677 |
| Land for resale (Note 4) | 38,137 | 38,137 |
| | <u>57,476,223</u> | <u>78,727,650</u> |
| Financial liabilities | | |
| Accounts payable and other liabilities | 8,908,625 | 5,462,658 |
| Due to Capital Regional District | 139,656 | 117,268 |
| Long-term debt (Note 5) | 175,272,337 | 192,449,374 |
| | <u>184,320,618</u> | <u>198,029,300</u> |
| Net debt | (126,844,395) | (119,301,650) |
| Non-financial assets | | |
| Tangible capital assets (Note 6) | 58,487,876 | 31,767,638 |
| Contingent liability (Note 11) | | |
| Commitments (Note 7) | | |
| Accumulated Deficit (Note 9) | <u>\$ (68,356,519)</u> | <u>\$ (87,534,012)</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, 2018

| | Budget | 2018 | 2017 |
|---|------------------------|------------------------|------------------------|
| | (Note 10) | | |
| Revenue | | | |
| Taxation - Municipalities | \$ 28,215,496 | \$ 28,215,495 | \$ 27,589,729 |
| Taxation - Electoral Areas | 2,059,436 | 2,059,436 | 2,062,665 |
| Taxation - First Nations | 98,729 | 98,729 | 78,850 |
| Payments in lieu of taxes | 967,947 | 968,447 | 1,021,429 |
| Interest income | 100,000 | 1,016,750 | 295,420 |
| Interest income - Summit Structured Financing | 400,000 | 467,833 | 883,725 |
| Debenture maturity refund | 73,000 | 5,656 | 32,691 |
| Gain on sale of Carey Road | - | - | 4,978,196 |
| Actuarial adjustment on long-term debt | - | 5,231,778 | 4,766,099 |
| | 31,914,608 | 38,064,124 | 41,708,804 |
| Expenses | | | |
| Grants to district hospitals (Schedule A) | 8,986,764 | 7,404,492 | 9,030,773 |
| Interest on long-term debt | 10,892,121 | 10,577,699 | 10,941,608 |
| Interest on temporary borrowings | 30,000 | 7,547 | 19,147 |
| Debenture issue expense | - | - | 122,500 |
| Operating expenses | 829,471 | 896,893 | 568,311 |
| | 20,738,356 | 18,886,631 | 20,682,339 |
| Annual surplus | 11,176,252 | 19,177,493 | 21,026,465 |
| Accumulated deficit, beginning of year | (87,534,012) | (87,534,012) | (108,560,477) |
| Accumulated deficit, end of year | \$ (76,357,760) | \$ (68,356,519) | \$ (87,534,012) |

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2018

| | Budget | 2018 | 2017 |
|--|-------------------------|-------------------------|-------------------------|
| | (Note 10) | | |
| Annual surplus | \$ 11,176,252 | \$ 19,177,493 | \$ 21,026,465 |
| Acquisition of tangible capital assets | (42,760,019) | (26,720,238) | (12,379,381) |
| Change in net debt | (31,583,767) | (7,542,745) | 8,647,084 |
| Net debt, beginning of year | (119,301,650) | (119,301,650) | (127,948,734) |
| Net debt, end of year | \$ (150,885,417) | \$ (126,844,395) | \$ (119,301,650) |

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2018

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 19,177,493 | \$ 21,026,465 |
| Items not involving cash: | | |
| Actuarial adjustment on long-term debt | (5,231,778) | (4,766,099) |
| Gain on sale for Carey Road sale | - | (4,978,196) |
| Increase (decrease) in non-cash assets and liabilities | | |
| Accounts receivable | 129,348 | (861,161) |
| Accounts payable and accrued liabilities | 3,445,967 | 1,521,258 |
| Due to/(from) Capital Regional District | 22,388 | 221,452 |
| Prepaid expenses | (50,000) | - |
| Restricted cash | (28,307) | (600,754) |
| Net change in cash from operating activities | 17,465,111 | 11,562,965 |
| Capital activities: | | |
| Cash used to acquire tangible capital assets | (26,720,238) | (12,379,381) |
| Net change in cash from capital activities | (26,720,238) | (12,379,381) |
| Investing activities: | | |
| Net change in investments | 14,000,000 | (40,000,000) |
| Proceeds from Carey Road sale | - | 5,838,095 |
| Net change in cash from investing activities | 14,000,000 | (34,161,905) |
| Financing activities: | | |
| Temporary borrowings repaid | - | (696,342) |
| Additions to long-term debt | 1,468,253 | 64,796,508 |
| Repayment of long-term debt | (13,413,512) | (13,751,707) |
| Net change in cash from financing activities | (11,945,259) | 50,348,459 |
| Net change in cash and cash equivalents | (7,200,386) | 15,370,138 |
| Cash and cash equivalents, beginning of year | 33,660,748 | 18,290,610 |
| Cash and cash equivalents, end of year | \$ 26,460,362 | \$ 33,660,748 |
| Cash paid for interest | \$ 10,710,697 | \$ 10,013,821 |
| Cash received for interest | 1,499,617 | 1,149,076 |

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, 2018

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 for local governments 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 Nations 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 90 days or less 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.

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.

e) Long-Term Debt

Long-term debt is presented net of repayment deposits 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) Government Transfers

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.

l) Newly Adopted Accounting Standards

Effective April 1, 2017, the Hospital District adopted the following new accounting standards:

- i. PS 2200, Related Party Disclosures. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the consolidated financial statements.
- ii. PS 3420, Inter-entity Transactions. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.
- iii. PS 3210, Assets. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- iv. PS 3320, Contingent Assets. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.
- v. PS 3380, Contractual Rights. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

There was no impact to the 2018 consolidated financial statements upon transition to these new standards.

2. CASH AND CASH EQUIVALENTS

| | 2018 | | 2017 | |
|------------------|-------------|------------|-------------|------------|
| Cash in bank | \$ | 26,373,064 | \$ | 33,574,867 |
| MFA Money Market | | 87,297 | | 85,881 |
| | \$ | 26,460,362 | \$ | 33,660,748 |

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (the “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. When this occurs, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2018 is \$4,090,984 (2017: \$4,062,677).

4. LAND FOR RESALE

In 2002, the Hospital District purchased the Carey Road Lot 1 site for \$2,175,556. In 2007, the Hospital District purchased the Carey Road Lot 2 site for \$5,524,000. The Hospital District has approved various uses for the property including: residential care, independent living and affordable housing for seniors; supportive housing for the homeless and affordable family housing. In 2010, the Hospital District transferred a parcel of land (\$576,296) to the Capital Regional District (“CRD”) to be used for supportive housing for the homeless and another parcel (\$1,233,038) to the District of Saanich to be used for a public park. In 2011, the Hospital District transferred three parcels of land (\$3,116,681) to the CRD to be used for affordable family and seniors’ housing and future phase development. In 2012, the Hospital District approved a 27 year land lease with the Baptist Housing Mount View Heights Care Society for 3814 Carey Road (book value \$1,913,640). In 2017, the Hospital District sold the 3810 Carey Road Site for net proceeds of \$5,838,095, resulting in a gain on sale of \$4,978,196. The proceeds from the sale of land have been placed to the credit of the Land Development Reserve for future Hospital District land development. The Land Development Reserve earns interest and its balance at December 31, 2018 is \$5,956,904. The remaining parcel of land is held for resale and is presented on the Statement of Financial Position as a financial asset at the original cost.

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

Long-term debt represents gross debt borrowings of \$305,523,646 (2017: \$309,831,821) net of repayments and actuarial adjustments of \$130,251,309 (2017: \$117,382,447).

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:

| 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------|---------------|---------------|---------------|---------------|
| \$ 13,862,682 | \$ 14,076,593 | \$ 13,329,603 | \$ 12,195,109 | \$ 11,161,599 |

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

| 2018 | 2017 |
|----------------|----------------|
| 2.65% to 3.20% | 1.90% to 3.15% |

The long-term debt bears interest at rates ranging from 1.45% to 5.15%. The weighted average interest rate in 2018 is 3.30% (2017: 3.45%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$10,063,872 (2017: \$10,316,086). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

6. TANGIBLE CAPITAL ASSETS

| 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 |
| | | | | | | | | |
| 2017 | | | | | | | | |
| | | Land | | Building | | Work in Progress | | Total |
| Cost | | | | | | | | |
| Balance, beginning of year | \$ | 13,959,120 | \$ | 288,570 | \$ | 5,140,567 | \$ | 19,388,257 |
| Additions | | | | | | 12,379,381 | | 12,379,381 |
| Balance, end of year | \$ | 13,959,120 | \$ | 288,570 | \$ | 17,519,948 | \$ | 31,767,638 |

a) The Heights Residential 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 book value of \$1,913,640.

b) The Summit at Quadra Village Residential Care Project

In 2013, the Hospital District purchased land at the Hillside site for \$6,507,246. The Hospital District has approved the building of 320 residential care beds at this site. Anticipated completion is December, 2019. The property is to be leased to Island Health and be utilized as a residential health facility.

| | 2018 | 2017 |
|---------------------------------|---------------|---------------|
| Capital Budget (including land) | \$ 86,443,285 | \$ 86,443,285 |
| Less: | | |
| Expenditures to date | (50,747,431) | (24,027,194) |
| Commitments | (30,453,056) | (7,620,021) |
| Remaining Balance | \$ 5,242,797 | \$ 54,796,070 |

7. COMMITMENTS

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

| Bylaw | Description | Approved Project Cost (Island Health) | Hospital District Share | Funded to December 31, 2017 | Funded in Current Year (Schedule A) | Funded to December 31, 2018 | Remaining Commitment |
|-----------|--|--|-------------------------------|-----------------------------------|---|-----------------------------------|-------------------------|
| Sec 20(3) | Equipment and Non-Traditional Projects 2018 | \$ 3,105,000 | \$ 3,105,000 | \$ - | \$ 3,105,000 | \$ 3,105,000 | \$ - |
| CBL 151 | Mt. View Heights 2010 | 2,000,000 | 2,000,000 | 1,466,664 | - | 1,466,664 | 533,336 |
| CBL 161 | Minor Capital Projects 2014 | 20,728,768 | 3,750,000 | 2,945,695 | 146,136 | 3,091,831 | 658,170 |
| CBL 163 | Steam Boiler 2015 (RJH) | 4,700,000 | 1,410,000 | 1,388,259 | 9,196 | 1,397,455 | - |
| CBL 164 | Minor Capital Projects 2015 | 14,803,659 | 3,750,000 | 2,836,989 | 104,848 | 2,941,837 | 808,163 |
| CBL 165 | Endoscopy Renovation 2015 (VGH) | 2,200,000 | 660,000 | 649,182 | 6,247 | 655,429 | 4,571 |
| CBL 168 | Unit Dose Medication Distribution Project 2016 (RJH) | 10,310,000 | 4,124,000 | 2,809,281 | 533,412 | 3,342,693 | 781,307 |
| CBL 169 | Minor Capital Projects 2016 | 13,831,153 | 3,750,000 | 2,824,993 | 449,302 | 3,274,295 | 475,704 |
| CBL 170 | Minor Capital Projects 2017 | 19,772,954 | 3,750,000 | 1,591,105 | 1,636,770 | 3,227,876 | 522,124 |
| CBL 171 | Minor Capital Projects 2018 | 20,683,223 | 3,750,000 | - | 1,413,580 | 1,413,580 | 2,336,420 |
| | | \$ 112,134,757 | \$ 30,049,000 | \$ 16,512,169 | \$ 7,404,492 | \$ 23,916,661 | \$ 6,119,794 |

¹ Minor Capital Projects are defined as projects valued between \$100 thousand and \$2.0 million to sustain existing infrastructure, replace building components and improve functionality.

² 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.

³ Island Health's Project Cost is based on their capital plan and various funders. CRHD cost shares at an average of 30% for Major Capital project expenditures up to the approved bylaw amount.

⁴ 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.

7. COMMITMENTS (continued)
b) Hospital District approved and active capital projects detailed by Hospital Facility:

| | | Approved Project Cost (Island Health) | Hospital District Share | Funded to December 31, 2017 | Funded in Current Year | Funded to December 31, 2018 | Remaining Commitment | Planned Approved Funding 2019 - 2023 |
|---|---|--|-------------------------------|-----------------------------------|---------------------------|-----------------------------------|-------------------------|---|
| APPROVED AND ACTIVE CAPITAL PROJECTS | | | | | | | | |
| Designated Health Care Facilities | | | | | | | | |
| 151 | 2010 | \$ | 2,000,000 \$ | 1,466,664 \$ | - \$ | 1,466,664 \$ | 533,336 \$ | |
| Sec 20(3) | Mt View Heights Galiano Health Care Centre | 150,000 | 150,000 | - | 150,000 | 150,000 | - | |
| Vancouver Island Health Authority | | | | | | | | |
| Multiple | 2014 - 2018 | 4,414,724 | 831,770 | 329,851 | 439,680 | 769,531 | 62,239 | |
| Sec 20(3) | Minor Capital Projects Movable Equipment Grant | 2,925,000 | 2,925,000 | - | 2,925,000 | 2,925,000 | - | |
| Mount St. Mary Hospital | | | | | | | | |
| Sec 20(3) | 2018 | 30,000 | 30,000 | - | 30,000 | 30,000 | - | |
| | Movable Equipment Grant | | | | | | | |
| Gorge Road Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 6,020,000 | 1,067,214 | 744,023 | 360,565 | 1,104,588 | (37,374) | |
| | Minor Capital Projects | | | | | | | |
| Juan de Fuca Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 9,638,913 | 1,987,451 | 954,926 | 297,499 | 1,252,425 | 735,027 | |
| | Minor Capital Projects | | | | | | | |
| Lady Minto Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 5,045,957 | 1,429,654 | 997,757 | 297,417 | 1,295,174 | 134,480 | |
| | Minor Capital Projects | | | | | | | |
| Queen Alexandra Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 7,399,846 | 1,344,714 | 891,358 | 261,356 | 1,152,714 | 192,000 | |
| | Minor Capital Projects | | | | | | | |
| Royal Jubilee Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 33,791,683 | 6,775,474 | 3,622,264 | 1,098,446 | 4,720,710 | 2,054,764 | |
| 168 | 2016 | 10,310,000 | 4,124,000 | 2,809,281 | 533,412 | 3,342,693 | 781,307 | |
| 163 | 2015 | 4,700,000 | 1,410,000 | 1,388,259 | 9,196 | 1,397,455 | - | |
| | Unit Dose Medication Steam Boiler | | | | | | | |
| Saanich Peninsula Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 4,277,100 | 879,820 | 227,297 | 234,649 | 461,946 | 417,874 | |
| | Minor Capital Projects | | | | | | | |
| Victoria General Hospital | | | | | | | | |
| Multiple | 2014 - 2018 | 19,231,534 | 4,433,903 | 2,431,306 | 761,026 | 3,192,332 | 1,241,571 | |
| 165 | 2015 | 2,200,000 | 660,000 | 649,182 | 6,247 | 655,429 | 4,571 | |
| | Endoscopy Renovation | | | | | | | |
| | | 112,134,757 | 30,049,000 | 16,512,169 | 7,404,492 | 23,916,661 | 6,119,794 | 5,586,459 |
| PLANNED CAPITAL PROJECTS | | | | | | | | |
| 172 | 2019 | 4,240,000 | 1,272,000 | - | - | - | 1,272,000 | |
| | Westshore Urgent Primary | | | | | | | |
| | | \$ 116,374,757 \$ | 31,321,000 \$ | 16,512,169 \$ | 7,404,492 \$ | 23,916,661 \$ | 7,391,794 \$ | 6,858,459 |

8. RELATED PARTY TRANSACTIONS

The Hospital District is related to the Capital Regional District ("CRD") since the same individuals are members of the Board of Directors of both organizations. 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, \$770,723 (2017: \$711,185) of administrative support and project management services from the CRD, of which \$131,346 (2017: \$142,873) project management services was capitalized.

The Regional Housing First Program (RHFP) is an innovative partnership between the Capital Regional District, the BC Government and the Government of Canada to eliminate chronic homelessness and generate new rental housing options in southern Vancouver Island and surrounding Gulf Islands. Using a mixed-market approach, the program will invest up to \$90 million towards projects that meet a variety of housing needs, creating mixed income communities with supported housing units within individual projects built throughout the region. The Capital Regional District, Capital Region Housing Corporation and Capital Regional 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, \$149,341 (2017: nil) to the Capital Regional District, 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: | 2018 | 2017 |
|--|------------------------|------------------------|
| Other | \$ (82,075,476) | \$ (101,156,081) |
| Reserve funds set aside for specific purposes: | | |
| Land Development Reserve Fund | 5,956,904 | 5,838,095 |
| Capital Loan Fund | 4,142,411 | 3,996,911 |
| Hospital District Act Section 20(3) reserve | 3,619,642 | 3,787,063 |
| Accumulated Deficit | <u>\$ (68,356,519)</u> | <u>\$ (87,534,012)</u> |

10. BUDGET DATA

The budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved by the Board on March 21, 2018. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

| | Budget Amount |
|---|-----------------------------|
| Revenues: | |
| Operating budget | \$ 31,914,608 |
| Total revenue | <u>31,914,608</u> |
| Expenses: | |
| Operating budget | 31,949,103 |
| Capital budget – grants to district hospitals | 2,281,764 |
| Capital budget – asset acquisition | 42,760,019 |
| Less: | |
| Capital budget – asset acquisition | (42,760,019) |
| Capital budget – reserves | (50,000) |
| MFA debt reserve fund | (29,000) |
| Debt principal payments | <u>(13,413,511)</u> |
| Total expenses | <u>20,738,355</u> |
| Annual Surplus | <u>\$ 11,176,252</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.

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 2017.

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 2017.

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.

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 and is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2017.

Grants to District Hospitals

For the year ended December 31, 2018

| | Total grants December 31 2017 | Expense 2018 | Transfers to completed projects | Total grants December 31 2018 |
|---|--|-------------------------|--|--|
| PROJECTS IN PROGRESS | | | | |
| Designated Health Care facilities | \$ 1,466,464 | \$ 150,000 | \$ (150,000) | \$ 1,466,464 |
| Vancouver Island Health Authority | 6,150,961 | 3,364,680 | (2,925,000) | 6,590,641 |
| Gorge Road Hospital | 817,073 | 360,565 | (522,287) | 655,351 |
| Juan de Fuca Hospital | 1,555,826 | 297,499 | (303,621) | 1,549,704 |
| Lady Minto Hospital | 1,347,061 | 297,417 | (511,873) | 1,132,605 |
| Mount St. Mary Hospital | 30,000 | 30,000 | (30,000) | 30,000 |
| Queen Alexandra Hospital | 891,357 | 261,356 | (212,534) | 940,179 |
| Royal Jubilee Hospital | 14,835,657 | 1,641,053 | (2,294,065) | 14,182,645 |
| Saanich Peninsula Hospital | 1,154,194 | 234,649 | - | 1,388,843 |
| Victoria General Hospital | 4,470,517 | 767,273 | (644,130) | 4,593,660 |
| | <u>32,719,110</u> | <u>7,404,492</u> | <u>(7,593,510)</u> | <u>32,530,092</u> |
| COMPLETED PROJECTS | | | | |
| Designated Health Care facilities | 20,884,214 | - | 150,000 | 21,034,214 |
| Vancouver Island Health Authority | 68,029,224 | - | 2,925,000 | 70,954,224 |
| Gorge Road Hospital | 7,029,929 | - | 522,287 | 7,552,216 |
| Juan de Fuca Hospital | 36,318,775 | - | 303,621 | 36,622,396 |
| Lady Minto Hospital | 4,496,522 | - | 511,873 | 5,008,395 |
| Mount St. Mary Hospital | 15,359,545 | - | 30,000 | 15,389,545 |
| Queen Alexandra Hospital | 8,109,310 | - | 212,534 | 8,321,844 |
| Royal Jubilee Hospital | 250,282,409 | - | 2,294,065 | 252,576,474 |
| Saanich Peninsula Hospital | 19,648,611 | - | - | 19,648,611 |
| Victoria General Hospital | 95,779,784 | - | 644,130 | 96,423,914 |
| | <u>525,938,323</u> | <u>-</u> | <u>7,593,510</u> | <u>533,531,833</u> |
| | <u>558,657,433</u> | <u>7,404,492</u> | <u>-</u> | <u>566,061,925</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>\$ 432,647,132</u> | <u>\$ 7,404,492</u> | <u>\$ -</u> | <u>\$ 440,051,624</u> |

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