Financial Statements of

BRITISH COLUMBIA EMERGENCY HEALTH SERVICES

Year ended March 31, 2023

Statement of Management Responsibility

The financial statements of the British Columbia Emergency Health Services (the "Corporation") were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these financial statements, and include amounts based upon management's best estimates and judgments. The accounting principles of the financial reporting framework were consistently applied. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at June 13, 2023.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors provides oversight in the fulfillment by management of these responsibilities. The Board of Directors, comprising directors who are not employees, meets with management, internal assurance staff and external auditors with regard to the proper discharge of management's responsibilities with respect to financial statement presentation, disclosure and recommendations on internal control.

The internal assurance function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been examined by the Auditor General of British Columbia, the Corporation's independent external auditors. The external auditors conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their Auditor's Report, which follows, outlines the scope of their examination and their opinion.

Dr. Leanne Heppell
Executive Vice President and Chief
Ambulance Officer

Dr. David Byres
President and Chief Executive Officer
Provincial Health Services Authority

Michael Lord
Vice President, Finance and
Chief Financial Officer
Provincial Health Services Authority

Vancouver, BC
June 13, 2023

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Independent Auditor's Report

To the Board of Directors of the British Columbia Emergency Health Services, and
To the Minister of Health, Province of British Columbia

Qualified Opinion

I have audited the accompanying financial statements of the British Columbia Emergency Health Services ("the entity"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated deficit, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2023, and the results of its operations, change in its net debt, and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 1(a) to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had the entity made an adjustment for this departure in the current year, the liability for deferred revenue as at March 31, 2023 would have been lower by $83 million, revenue, annual deficit and accumulated deficit would have been higher by $83 million and net debt would have been lower by $83 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of the British Columbia Emergency Health Services as at March 31, 2022, for their fair presentation in accordance with Canadian Public Sector Accounting Standards. The financial statements of the British Columbia Emergency Health Services as at March 31, 2022 were audited by a professional accounting firm who previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act* including Treasury Board Regulation 198/2011 prescribing the accounting policy for contributions. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures were not audited in accordance with Canadian Public Sector Accounting Standards, but rather in compliance with Section 23.1 of the *Budget Transparency and Accountability Act*.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. 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 the 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

Independent Auditor's Report

British Columbia Emergency Health Services

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 entity'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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity 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.

I 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 I identify during my audit.
I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Michael A. Pickup, FCPA, FCA
Auditor General of British Columbia

Victoria, British Columbia, Canada
June 13, 2023

Office of the
Auditor General
of British Columbia

BRITISH COLUMBIA EMERGENCY HEALTH SERVICES

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2023

	2023	2022 (Restated – note 2)
Financial assets		
Cash and cash equivalents	$ 25,474	$ 6,239
Accounts receivable (note 3)	84,951	60,945
	110,425	67,184
Liabilities		
Accounts payable and accrued liabilities (note 4)	113,915	71,171
Retirement allowance (note 5(a))	3,434	3,326
Deferred capital contributions (note 6)	83,900	85,385
Asset retirement obligation (note 7)	1,592	1,549
	202,841	161,431
Net debt	$ (92,416)	$ (94,247)
Non-financial assets		
Tangible capital assets (note 8)	$ 86,006	$ 88,341
Prepaid expenses	5,374	4,870
	91,380	93,211
Accumulated deficit	$ (1,036)	$ (1,036)

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

BRITISH COLUMBIA EMERGENCY HEALTH SERVICES

Statement of Operations and Accumulated Deficit
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023 Budget (note 1(k))	2023	2022 (Restated – note 2)
Revenues:			
Provincial Health Services Authority contributions	$ 577,884	$ 713,403	$ 590,384
Recoveries from other health authorities and BC government reporting entities	22,387	23,473	23,510
Amortization of deferred capital contributions (note 6)	15,663	20,720	12,711
Other (note 10(a))	3,484	8,518	7,387
Other contributions	-	61	501
	619,418	766,175	634,493
Expenses (note 10(b)):			
Acute	573,473	715,697	589,145
Corporate	21,281	29,990	22,870
Community care	24,664	20,488	22,581
	619,418	766,175	634,596
Annual deficit	$ -	$ -	$ (103)
Accumulated deficit, beginning of year	(1,036)	(1,036)	(62)
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(871)
Accumulated deficit, beginning of year, as restated	$ (1,036)	$ (1,036)	$ (933)
Accumulated deficit, end of year	$ (1,036)	$ (1,036)	$ (1,036)

See accompanying notes to financial statements.

BRITISH COLUMBIA EMERGENCY HEALTH SERVICES

Statement of Changes in Net Debt
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023 Budget (note 1(k))	2023	2022 (Restated – note 2)
Annual deficit	$ -	$ -	$ (103)
Acquisition of tangible capital assets	(20,384)	(19,037)	(38,256)
Amortization of tangible capital assets	16,257	21,239	13,327
Net book value of disposed tangible capital assets	-	133	38
	(4,127)	2,335	(24,994)
Acquisition of prepaid expenses	-	(68,098)	(60,718)
Use of prepaid expenses	-	67,594	60,649
	-	(504)	(69)
Decrease (increase) in net debt	(4,127)	1,831	(25,063)
Net debt, beginning of year	(94,247)	(94,247)	(67,678)
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(1,506)
Net debt, beginning of year, as restated	$ (94,247)	$ (94,247)	$ (69,184)
Net debt, end of year	$ (98,374)	$ (92,416)	$ (94,247)

See accompanying notes to financial statements.

BRITISH COLUMBIA EMERGENCY HEALTH SERVICES

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023	2022 (Restated – note 2)
Cash flows from (used in) operating activities:		
Annual deficit	$ -	$ (103)
Items not involving cash:		
Amortization of deferred capital contributions	(20,720)	(12,711)
Amortization of tangible capital assets	21,239	13,327
Net book value of disposed tangible capital assets	133	38
Retirement allowance expense	394	285
Accretion expense	43	43
	1,089	879
Net change in non-cash operating items (note 11)	18,234	2,399
Retirement allowance benefits paid	(286)	(203)
Net change in cash from operating activities	19,037	3,075
Capital activities:		
Acquisition of tangible capital assets	(19,037)	(38,256)
Net change in cash used in capital activities	(19,037)	(38,256)
Financing activities:		
Capital contributions	19,235	37,839
Net change in cash from financing activities	19,235	37,839
Increase in cash and cash equivalents	19,235	2,658
Cash and cash equivalents, beginning of year	6,239	3,581
Cash and cash equivalents, end of year	$ 25,474	$ 6,239

Supplementary cash flow information (note 11)

See accompanying notes to financial statements.

The British Columbia Emergency Health Services (the "Corporation"), formerly the Emergency and Health Services Commission ("EHSC"), was established as a corporation on April 1, 2013 by Bill 7 – 2013, *Emergency and Health Services Amendment Act, 2013*.

The Corporation is a member of the Provincial Health Services Authority ("PHSA" or the "Authority"), which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry of Health (the "Ministry"). PHSA is one of six health authorities in British Columbia ("BC"). Effective April 1, 2011, the financial operations of the EHSC were transferred to the Authority to align BC's pre-hospital services with the healthcare system.

The Corporation is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Corporation is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Corporation has a mandate of providing provincial ambulance and emergency health services. The Corporation oversees BC Ambulance Service, BC Patient Transfer Network and Community Paramedicine.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Corporation.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and accumulated deficit and certain deferred capital contributions would be recorded differently under PSAS.

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations and accumulated deficit.

(d) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 12 years (2022 – 12 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Corporation to pay benefits occurs.

(e) Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The obligation is measured at the best estimate of future cash flows required to settle the liability. The liability is discounted using a present value calculation and adjusted annually for accretion expense. At each reporting date, the Corporation reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates.

The estimated asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset in accordance with the accounting policies outlined in note 1(f). The estimated asset retirement costs for fully depreciated assets are adjusted to accumulated surplus as at the date of adoption.

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations and accumulated deficit. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

(g) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Corporation is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

1. Significant accounting policies (continued):

(g) Revenue recognition (continued):

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Corporation in carrying out its programs and services. Contributed services are not recognized in these financial statements.

Contributions of assets that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

Contributions for the acquisition of land, or contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, contingent liabilities and the future costs to settle employee benefit obligations.

The implementation of PS 3280, *Asset Retirement Obligations* has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Foreign currency translation:

The Corporation's functional currency is the Canadian dollar. The Corporation does not have significant transactions denominated in foreign currencies.

1. Significant accounting policies (continued):

(j) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations and accumulated deficit.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and accumulated deficit.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Corporation’s normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Corporation’s Fiscal 2022/2023 Budget approved by the Board of Directors. The budget is reflected in the statement of operations and accumulated deficit and the statement of changes in net debt.

(Amounts expressed in thousands of dollars)

2. Change in accounting policies:

PS 3280 Asset Retirement Obligations:
Effective April 1, 2022, the Corporation adopted PS 3280, *Asset Retirement Obligations*. The new standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities. The standard was adopted using the modified retroactive method. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The adoption of PS 3280 requires restatement of prior year opening balances as follows:

- An increase of $506 to the Buildings capital asset account and an accompanying increase of $308 to the accumulated amortization representing amortization that would have been recorded had the liability been originally recognized.
- An increase of $701 to the Leasehold Improvements capital asset account and an accompanying increase of $324 to the accumulated amortization representing amortization that would have been recorded had the liability been originally recognized.
- An asset retirement obligation in the amount of $1,549, representing the obligation as measured at April 1, 2022.
- An increase in Opening Accumulated Deficit of $871 as a result of the recognition of the liability and accompanying increase in amortization and accretion expense.

3. Accounts receivable:

	2023	2022
Provincial Health Services Authority	$ 77,277	$ 52,565
Other health authorities and BC government reporting entities	16,165	13,085
Federal government	1,787	1,972
Ministry of Health	39	29
Other	2,207	1,999
	97,475	69,650
Allowance for doubtful accounts	(12,524)	(8,705)
	$ 84,951	$ 60,945

4. Accounts payable and accrued liabilities:

	2023	2022
Salaries and benefits payable	$ 82,941	$ 39,904
Trade accounts payable and accrued liabilities	21,360	22,825
Accrued vacation pay	9,614	8,442
	$ 113,915	$ 71,171

(Amounts expressed in thousands of dollars)

5. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Corporation's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2022 and extrapolated to March 31, 2023 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2023 are derived. The next expected valuation will be as of December 31, 2023.

Information about retirement allowance benefits is as follows:

		2023		2022
Accrued benefit obligation:				
Severance benefits	$	3,251	$	3,113
Sick leave benefits		839		849
		4,090		3,962
Unamortized actuarial loss		(656)		(636)
Accrued benefit liability	$	3,434	$	3,326

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

		2023		2022
Accrued benefit liability, beginning of year	$	3,326	$	3,244
Net benefit expense:				
Current service cost		257		229
Interest expense		123		108
Amortization of actuarial loss/(gain)		14		(52)
Net benefit expense		394		285
Benefits paid		(286)		(203)
Accrued benefit liability, end of year	$	3,434	$	3,326

(Amounts expressed in thousands of dollars)

5. **Employee benefits (continued):**

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Corporation's accrued retirement benefit obligation are as follows:

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase		
2022	4.17%	2.50%
2023	7.00%	-
2024	3.00%	-
2025+	2.50%	-
Benefit costs for years ended March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Corporation and other provincially funded organizations.

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual programs and services of PHSA. Accordingly, the Corporation participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2022 extrapolated to March 31, 2023 indicated a deficit of $2,390 (2022 – surplus $106). Contributions of $14,509 (2022 – $11,471) were expensed during the year. The PHSA plan covers approximately 7,100 active employees, of which approximately 500 are employees of the Corporation (2022 – 400). The next expected valuation will be as of December 31, 2023.

5. Employee benefits (continued):

(c) Employee pension benefits:

The Corporation and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*, and to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan.

Employer contributions to the Municipal Pension Plan of $2,548 (2022 – $2,379) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2021 indicated a funding surplus of approximately $3,761 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 240,000 active members, of which approximately 458 are employees of the Corporation (2022 – 376). The next expected valuation will be as of December 31, 2024, with results available in 2025.

Employer contributions to the Public Service Pension Plan of $26,406 (2022 – $22,569) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2020 indicated a funding surplus of approximately $2,667 million. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 68,000 active members, of which approximately 4,137 are employees of the Corporation (2022 – 3,951). The next actuarial valuation will be as of March 31, 2023, with results available in 2024.

The Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan is a single employer defined contribution plan. Employer contributions to the Ambulance Paramedics of British Columbia – C.U.P.E. Local 873 Supplemental Pension Plan of $5,151 were expensed during the year (2022 – $4,360). As at March 31, 2023, the plan covered approximately 2,514 (2022 – 2,346) active members, all of which are employees of the Corporation.

(Amounts expressed in thousands of dollars)

6. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

		2023		2022
Deferred capital contributions, beginning of year	$	85,385	$	60,257
Capital contributions received:				
Provincial Health Services Authority		18,897		37,206
Other		338		633
		19,235		37,839
Amortization for the year		(20,720)		(12,711)
Deferred capital contributions, end of year	$	83,900	$	85,385

Deferred capital contributions comprise the following:

		2023		2022
Contributions used to purchase tangible capital assets	$	83,166	$	84,848
Unspent contributions		734		537
	$	83,900	$	85,385

7. Asset retirement obligation:

The Corporation has recognized asset retirement obligations representing the estimated cost to settle obligations related to leased and owned premises at future dates as follows:

(a) Asbestos obligation:

The Corporation owns and operates several buildings that are known to contain asbestos which represents a health hazard upon renovation or demolition of the buildings. Provincial regulations require asbestos to be removed in a prescribed manner when the building is demolished. Following the adoption of PS 3280*, Asset Retirement Obligations*, the Corporation recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. The asset retirement obligations capitalized in respect of building asbestos are amortized over the remaining useful life of the buildings. The buildings have an estimated useful life of 15 – 50 years from the date of construction, of which the remaining useful lives vary. The settlement of these obligations will occur when the buildings undergo major renovations or demolition.

(Amounts expressed in thousands of dollars)

7. Asset retirement obligation (continued):

(b) Leasehold restoration obligation:

The Corporation has entered into several lease agreements for facilities in which there is a legal obligation to decommission any leasehold improvements constructed or installed by the Corporation at the end of the lease term. Following the adoption of PS 3280*, Asset Retirement Obligations*, the Corporation has recognized asset retirement obligations representing the estimated cost to decommission any leasehold improvements and restore the leased premises to its original state at a future date. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the lease term. The lease agreements have various terms ranging from 1 – 20 years, of which various lease years remain. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate determined by discounting the estimated cash outflows to the present value over the term to expected settlement, using a discount rate of 3.15% (2022 – 3.15%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2022 – 2.00%).

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Asbestos remediation	Leasehold restoration	Balance at March 31, 2023
Opening balance	$ 640	$ 909	$ 1,549
Accretion expense	15	28	43
Closing balance	$ 655	$ 937	$ 1,592

Asset Retirement Obligation	Asbestos remediation	Leasehold restoration	Balance at March 31, 2022
Opening balance	$ -	$ -	$ -
Adjustment on adoption of the asset retirement obligation standard (note 2)	625	881	1,506
Opening balance, as restated	625	881	1,506
Accretion expense	15	28	43
Closing balance	$ 640	$ 909	$ 1,549

(Amounts expressed in thousands of dollars)

8. Tangible capital assets:

Cost	2022 (Restated – note 2)	Additions	Disposals	Transfers	2023
Land	$ 1,837	$ -	$ -	$ -	$ 1,837
Buildings	9,417	73	-	(314)	9,176
Equipment	50,629	3,809	-	(1,914)	52,524
Information systems	20,520	509	-	-	21,029
Leasehold improvements	17,874	-	(315)	314	17,873
Vehicles	101,088	14,592	(4,304)	1,914	113,290
Construction in progress	-	36	-	-	36
Equipment and information systems in progress	80	18	-	-	98
Total	$ 201,445	$ 19,037	$ (4,619)	$ -	$ 215,863

Accumulated amortization	2022 (Restated - note 2)	Amortization	Disposals	Transfers	2023
Buildings	$ 3,976	$ 219	$ -	$ -	$ 4,195
Equipment	17,958	8,327	-	-	26,285
Information systems	18,735	1,064	-	-	19,799
Leasehold improvements	15,322	772	(315)	-	15,779
Vehicles	57,113	10,857	(4,171)	-	63,799
Total	$ 113,104	$ 21,239	$ (4,486)	$ -	$ 129,857

Cost	2021 (Restated - note 2)	Additions	Disposals	Transfers	2022 (Restated - note 2)
Land	$ 1,837	$ -	$ -	$ -	$ 1,837
Buildings	9,417	-	-	-	9,417
Equipment	27,794	22,835	-	-	50,629
Information systems	20,520	-	-	-	20,520
Leasehold improvements	17,874	-	-	-	17,874
Vehicles	91,478	15,390	(5,780)	-	101,088
Equipment and information systems in progress	49	31	-	-	80
Total	$ 168,969	$ 38,256	$ (5,780)	$ -	$ 201,445

(Amounts expressed in thousands of dollars)

8. Tangible capital assets (continued):

Accumulated amortization	2021 (Restated - note 2)	Amortization	Disposals	Transfers	2022 (Restated - note 2)
Buildings	$ 3,567	$ 409	$ -	$ -	$ 3,976
Equipment	16,022	1,936	-	-	17,958
Information systems	17,471	1,264	-	-	18,735
Leasehold improvements	14,585	737	-	-	15,322
Vehicles	53,874	8,981	(5,742)	-	57,113
Total	$ 105,519	$ 13,327	$ (5,742)	$ -	$ 113,104

Net book value	2023	2022 (Restated - note 2)
Land	$ 1,837	$ 1,837
Buildings	4,981	5,441
Equipment	26,239	32,671
Information systems	1,230	1,785
Leasehold improvements	2,094	2,552
Vehicles	49,491	43,975
Construction in progress	36	-
Equipment and information systems in progress	98	80
Total	$ 86,006	$ 88,341

Tangible capital assets are funded as follows:

	2023	2022
Deferred capital contributions	$ 83,166	$ 84,848
Internally funded	2,840	3,493
Tangible capital assets	$ 86,006	$ 88,341

(Amounts expressed in thousands of dollars)

9. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2023, the Corporation had outstanding commitments for construction, equipment and information systems in progress of $30,128 (2022 - $2,400).

(b) Contractual obligations:

The Corporation has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts are as follows:

2024	$	47,337
2025		23,443
2026		1,417
2027		24
2028		-
Thereafter		-
	$	72,221

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2024	$	9,630
2025		8,730
2026		6,835
2027		3,872
2028		2,843
Thereafter		20,317
	$	52,227

(d) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Corporation's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2023, management is of the opinion that the Corporation has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Corporation's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(Amounts expressed in thousands of dollars)

10. Statement of operations:

(a) Other revenues:

	2023	2022
Recoveries from sales of goods and services	$ 6,959	$ 6,833
Other	1,559	554
	$ 8,518	$ 7,387

(b) The following is a summary of expenses by object:

	2023	2022 (Restated – note 2)
Compensation:		
Compensation	$ 379,051	$ 316,585
Employee benefits	146,750	113,599
	525,801	430,184
Equipment and building services:		
Equipment	114,216	104,354
Rent	15,052	14,752
Building and grounds service contracts	6,550	4,448
Plant operations (utilities)	1,871	1,634
	137,689	125,188
Supplies:		
Fuel	12,434	10,265
Medical and surgical	9,513	9,989
Housekeeping and laundry	3,943	3,023
Drugs and medical gases	2,627	2,368
Printing, stationery and office	393	373
Other	5,611	5,432
	34,521	31,450
Sundry:		
Travel	7,819	4,546
Professional fees	5,113	3,828
Communication and data processing	3,131	2,762
Other	11,811	5,664
	27,874	16,800
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	13,253	12,534
Health and support services providers	5,622	5,032
	18,875	17,566
Amortization of tangible capital assets	21,239	13,327
Accretion of asset retirement obligation	43	43
Net book value of disposed tangible capital assets	133	38
	$ 766,175	$ 634,596

(Amounts expressed in thousands of dollars)

11. Supplementary cash flow information:

Net change in non-cash operating items:

		2023		2022
Accounts receivable	$	(24,006)	$	(17,705)
Accounts payable and accrued liabilities		42,744		20,173
Prepaid expenses		(504)		(69)
	$	18,234	$	2,399

12. Related parties:

(a) BC government reporting entities:

The Corporation is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Referred out and contracted services expenses, as outlined in note 10(b) are measured at the exchange amount, which is the amount established and agreed to by the related parties, and differs from fair market value.

The health authorities provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the statement of operations and accumulated deficit and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the financial statements approximate fair value.

(b) Related party transactions with PHSA:

Certain administrative, finance and accounting, and human resource services are provided to the Corporation by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Corporation.

13. Risk management:

The Corporation is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Corporation's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Corporation's cash and cash equivalents and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

The Corporation manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Corporation periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Corporation periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2023, the amount of allowance for doubtful accounts was $12,524 (2022 – $8,705).

The Corporation is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. It is the Corporation's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Corporation's principal source of funding is from the Ministry through PHSA. The Corporation is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Corporation has complied with the external restrictions on the funding provided.

All financial assets and liabilities of the Corporation have maturities within one year.

14. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's financial statement presentation.