Consolidated Financial Statements of

PROVINCIAL HEALTH SERVICES AUTHORITY

Year ended March 31, 2023

Provincial Health Services Authority

Statement of Management Responsibility

The consolidated financial statements of the Provincial Health Services Authority (the "Authority") were prepared by management in accordance with the financial reporting framework disclosed in note 1(a) to these consolidated 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 consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 5, 2023.

Management is responsible for the integrity of the consolidated 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 has established an Audit Committee to provide oversight in the fulfillment by management of these responsibilities. The Audit Committee, 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 consolidated 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 Audit Committee.

The consolidated financial statements have been examined by the Auditor General of British Columbia, the Authority'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. David Byres
President and Chief Executive Officer

Michael Lord
Vice President, Finance and
Chief Financial Officer

Vancouver, BC
June 5, 2023

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Independent Auditor's Report

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

Qualified Opinion

I have audited the accompanying consolidated financial statements of the Provincial Health Services Authority ("the group"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated operating surplus, changes in net debt, cash flows, and remeasurement gains and losses 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 consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2023, and the results of its operations, changes in its net debt, cash flows and remeasurement gains and losses 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 consolidated financial statements, the group'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 group 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 group'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 group'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 group 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 $1,323 million, revenue, annual surplus and accumulated surplus would have been higher by $1,323 million and net debt would have been lower by $1,323 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 Consolidated Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the group'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 consolidated financial statements of the Provincial Health Services Authority as at March 31, 2022, for their fair presentation in accordance with Canadian Public Sector Accounting Standards. The consolidated financial statements of the Provincial Health Services Authority 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 Consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group'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 group will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the group's consolidated 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 consolidated financial statements.

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 consolidated 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 group'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 group'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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

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 5, 2023

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated 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 (note 3)	$ 350,827	$ 245,424
Portfolio investments (note 4)	-	1
Accounts receivable (note 5)	640,051	465,972
Inventories held for sale (note 6)	164,818	447,457
Long-term disability and health and welfare benefits (note 12(b))	-	106
	1,155,696	1,158,960
Liabilities		
Accounts payable and accrued liabilities (note 7)	817,442	655,273
Deferred operating contributions (note 8)	27,342	27,367
Deferred research and designated contributions (note 9)	60,229	56,349
Debt (note 11)	239,411	243,528
Retirement allowance (note 12(a))	123,647	116,002
Long-term disability and health and welfare benefits (note 12(b))	2,390	-
Deferred capital contributions (note 13)	1,627,327	1,562,249
Asset retirement obligation (note 14)	20,955	20,444
	2,918,743	2,681,212
Net debt	$ (1,763,047)	$ (1,522,252)
Non-financial assets		
Tangible capital assets (note 15)	$ 1,770,944	$ 1,761,973
Inventories held for use (note 16)	56,527	47,674
Prepaid expenses	34,639	30,468
	1,862,110	1,840,115
Accumulated surplus		
Accumulated operating surplus	$ 99,063	$ 317,862
Accumulated remeasurement gains	-	1
	$ 99,063	$ 317,863

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director and Chair of the Board

Director

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Operations and Accumulated Operating Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023 Budget (note 1(o))	2023	2022 (Restated – note 2)
Revenues:			
Ministry of Health contributions	$ 3,181,287	$ 3,510,480	$ 3,192,503
Recoveries from other health authorities and BC government reporting entities	691,332	775,830	754,150
Medical Services Plan	251,702	274,805	253,990
Amortization of deferred capital contributions (note 13)	112,476	125,927	102,634
Other contributions (note 18(a))	109,142	118,620	117,223
Research and designated contributions (note 9)	98,432	116,179	100,507
Other (note 18(b))	37,775	41,355	39,249
Patients, clients and residents (note 18(c))	13,590	24,635	19,604
Interest income	2,238	12,875	3,053
Pharmacare	5,550	4,082	4,460
	4,503,524	5,004,788	4,587,373
Expenses (note 18(d)):			
Acute	2,920,053	3,165,555	2,825,473
Corporate	898,915	1,311,684	1,023,111
Population health and wellness	217,857	277,369	278,014
Mental health and substance use	243,430	241,723	221,735
Community care	216,200	220,494	227,893
Residential care	7,069	6,762	11,160
	4,503,524	5,223,587	4,587,386
Annual operating deficit	$ -	$ (218,799)	$ (13)
Accumulated operating surplus, beginning of year	317,862	317,862	333,867
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(15,992)
Accumulated operating surplus, beginning of year, as restated	$ 317,862	$ 317,862	$ 317,875
Accumulated operating surplus, end of year	$ 317,862	$ 99,063	$ 317,862

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

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

Year ended March 31, 2023

	2023 Budget (note 1(o))	2023	2022 (Restated – note 2)
Annual operating deficit	$ -	$ (218,799)	$ (13)
Acquisition of tangible capital assets	(141,740)	(122,069)	(150,501)
Amortization of tangible capital assets	122,224	135,947	112,490
Contributed tangible capital assets (note 19(b))	-	(23,054)	-
Net book value of tangible capital assets transferred to other Health Authorities	-	-	61
Net book value of disposed tangible capital assets	-	205	133
	(19,516)	(227,770)	(37,830)
Acquisition of inventories held for use	-	(496,135)	(303,751)
Acquisition of prepaid expenses	-	(187,075)	(171,316)
Consumption of inventories held for use	-	487,282	301,819
Use of prepaid expenses	-	182,904	262,938
	-	(13,024)	89,690
Net remeasurement gains	-	(1)	(468)
(Increase) decrease in net debt	(19,516)	(240,795)	51,392
Net debt, beginning of year	(1,522,252)	(1,522,252)	(1,553,697)
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(19,947)
Net debt, beginning of year, as restated	$ (1,522,252)	$ (1,522,252)	$ (1,573,644)
Net debt, end of year	$ (1,541,768)	$ (1,763,047)	$ (1,522,252)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated 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 operating surplus	$ (218,799)	$ (13)
Items not involving cash:		
Amortization of deferred capital contributions	(125,927)	(102,634)
Amortization of tangible capital assets	135,947	112,490
Net book value of disposed tangible capital assets	205	133
Write-down of inventories held for sale	167,481	10,044
Retirement allowance expense	16,777	14,294
Long-term disability and health and welfare benefits expense	61,608	53,329
Accretion of asset retirement obligations	511	497
Interest income	(12,875)	(3,053)
Gain on sale of portfolio investments	-	(1,620)
	24,928	83,467
Net change in non-cash operating items (note 19(a))	95,424	(10,723)
Retirement allowance benefits paid	(9,132)	(10,135)
Long-term disability and health and welfare benefits contributions	(59,112)	(53,108)
Interest received	11,530	2,954
Net change in cash from operating activities	63,638	12,455
Capital activities:		
Acquisition of tangible capital assets	(122,069)	(150,501)
Net change in cash used in capital activities	(122,069)	(150,501)
Investing activities:		
Proceeds from sale of portfolio investments	-	1,620
Net change in cash from investing activities	-	1,620
Financing activities:		
Repayment of debt	(4,117)	(34,278)
Capital contributions	167,951	236,546
Net change in cash from financing activities	163,834	202,268
Increase in cash and cash equivalents	105,403	65,842
Cash and cash equivalents, beginning of year	245,424	179,582
Cash and cash equivalents, end of year	$ 350,827	$ 245,424

Supplementary cash flow information (note 19)

See accompanying notes to consolidated financial statements.

PROVINCIAL HEALTH SERVICES AUTHORITY

Consolidated Statement of Remeasurement Gains and Losses
(Amounts expressed in thousands of dollars)

Year ended March 31, 2023

		2023		2022
Accumulated remeasurement gains, beginning of year	$	1	$	469
Unrealized (loss) gains attributable to portfolio investments		(1)		1,152
Realized gain on sale of portfolio investments		-		(1,620)
Accumulated remeasurement gains, end of year	$	-	$	1

See accompanying notes to consolidated financial statements.

Provincial Health Services Authority (the “Authority” or “PHSA”) 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”) and is one of six health authorities in British Columbia (“BC”). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Authority programs provide care and services through specialized hospitals and centres across BC. The Authority is also responsible for specialized health services, which are delivered across the province in collaboration with regional health authorities.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated 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 consolidated 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 Canadian Public Sector Accounting Board (“PSAB”) without any PS 4200 series.

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.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

(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 Authority.

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 consolidated statement of operations and certain deferred capital contributions would be recorded differently under PSAS.

(b) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, revenues and expenses of Forensic Psychiatric Services Commission and BC Emergency Health Services. These entities are controlled by the Authority and are fully consolidated in these consolidated financial statements. Inter-entity transactions, balances and activities have been eliminated on consolidation.

The Authority and the Fraser Health Authority own Abbotsford Regional Hospital and Cancer Centre Inc. ("ARHCC Inc.") in accordance with the Share Transfer Agreement whereby 102 (85%) common shares of ARHCC Inc. are held by the Fraser Health Authority and 18 (15%) common shares are held by the Authority. The Authority's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements (note 10(a)).

The Authority has collaborative relationships with certain foundations and auxiliaries, which support the activities of the Authority and/or provide services under contracts. As the Authority does not control these organizations, the consolidated financial statements do not include the assets, liabilities, and results of operations of these entities (note 20(b)).

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and demand deposits.

(d) Portfolio investments:

Portfolio investments are shares of publicly traded companies. Shares of publicly traded companies are recorded at fair value. These shares were received by the Authority at $nil cost as consideration in intellectual property licensing transactions. Any changes in fair value are recognized in the consolidated statement of remeasurement gains and losses.

(e) 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 consolidated statement of operations.

(f) Inventories held for sale:

Inventories held for sale are recorded at the lower of weighted average cost or net realizable value. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Net realizable value is the estimated selling price less any costs to sell.

(g) 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 benefit 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 are recognized immediately.

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

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

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.

(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 Authority to pay benefits occurs.

(h) Asset retirement obligation

Asset retirement obligations are recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a 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 Authority 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.

1. Significant accounting policies (continued):

(h) Asset retirement obligation (continued):

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(i). The estimated asset retirement costs for fully depreciated assets are adjusted to accumulated surplus as at the date of adoption.

(i) 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.

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
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Clinical Information systems	15 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 Authority'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 consolidated statement of operations. 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.

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items. Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

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

(j) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority is funded primarily by the Province 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.

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 Authority 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 a fair value can be reasonably determined.

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

(k) Measurement uncertainty:

The preparation of consolidated 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.

1. Significant accounting policies (continued):

(k) Measurement uncertainty (continued):

Significant areas requiring the use of estimates include the valuation of accounts receivable and inventory, the estimated useful lives of tangible capital assets, contingent liabilities, the future costs to settle employee benefit obligations, and certain amounts in public-private partnership projects.

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 consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(l) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain and loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of operations.

(m) 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 debt and other financial liabilities are recorded using cost or amortized cost.

Unrealized gains and losses from changes in the fair value of equity instruments are recognized in the consolidated statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

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

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations.

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 Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(n) Capitalization of public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred by the Authority.

The asset cost includes development and financing fees estimated at fair value, which requires the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation for the cost of capital and financing received to date, net of contributions received, is recorded as a liability and included in debt. Upon substantial completion, the private sector partner receives monthly payments over the term of the project agreement to cover the partner's operating costs, financing costs and a return of their capital.

(o) Budget figures:

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

(Amounts expressed in thousands of dollars)

2. Changed in accounting policies:

PS 3280 Asset Retirement Obligations:

Effective April 1, 2022, the Authority 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 $7,453 to the Buildings capital asset account and an accompanying increase of $5,253 to accumulated amortization representing amortization that would have been recorded had the liability been originally recognized.
- An increase of $2,338 to the Leasehold Improvements capital asset account and an accompanying increase of $910 to accumulated amortization representing amortization that would have been recorded had the liability been originally recognized.
- An asset retirement obligation in the amount of $20,444, representing the obligation as measured at April 1, 2022.
- A decrease to Opening Accumulated Surplus of $15,992 as a result of the recognition of the liability and accompanying increase in amortization and accretion expense.

3. Cash and cash equivalents:

	2023	2022
Cash and cash equivalents	$ 350,163	$ 244,780
Restricted cash	664	644
	$ 350,827	$ 245,424

Restricted cash is related to patient trust accounts.

4. Portfolio investments:

Portfolio investments consist of shares of publicly traded companies recorded at fair value. Fair value of shares is determined with reference to the market price quoted in an active market. These shares were received by the Authority at $nil cost as consideration in intellectual property licensing transactions.

(Amounts expressed in thousands of dollars)

5. Accounts receivable:

	2023	2022
Ministry of Health	$ 251,910	$ 112,477
Drug rebates	190,545	161,626
Other health authorities and BC government reporting entities	122,793	116,381
Patients, clients and residents	27,663	25,295
Medical Services Plan	23,291	22,416
Foundations and auxiliaries	21,150	15,651
Other grantors	14,369	17,294
Federal government	12,504	14,513
Other	13,802	12,273
	678,027	497,926
Allowance for doubtful accounts	(37,976)	(31,954)
	$ 640,051	$ 465,972

6. Inventories held for sale:

(a) Sales:

Inventories held for sale consists of pharmaceuticals, medical supplies and personal protective equipment (PPE). During the year ended March 31, 2023, $355,795 (2022 – $377,895) of inventories were sold by the Authority to other Health Authorities or entities under the common control of the Province, and $102,877 of inventories were sold to unrelated entities.

(b) Inventory write-down:

During the year ended March 31, 2023, PHSA revalued $167,481 (2022 – $10,044) of inventory to net realizable value. This inventory represents excess product purchased during the height of the COVID-19 pandemic to ensure a stockpile of PPE was on hand to keep health care workers safe. Based on more recent usage rates and changes in PPE usage protocol, it is anticipated that this excess inventory will expire before being used in the BC healthcare environment. PHSA is making efforts to donate this inventory to non-related entities to minimize holding costs and future product waste. This strategy is supported by the Ministry of Health, who has allowed PHSA to record a deficit for the year ended March 31, 2023 as a result.

(Amounts expressed in thousands of dollars)

7. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable and accrued liabilities	$ 452,938	$ 401,165
Salaries and benefits payable	259,657	159,526
Accrued vacation pay	100,766	90,253
Long-term accounts payable	3,417	3,684
Patient trust funds	664	645
	$ 817,442	$ 655,273

Long-term accounts payable are obligations related to the construction of Abbotsford Regional Hospital and Cancer Centre.

8. Deferred operating contributions:

Deferred operating contributions represent government transfers from the Ministry of Health and other sources in the form of externally restricted operating funding received for various programs and initiatives. These include funding to support costs arising from the BC Centre for Disease Control SPARROW Wastewater project, the Centre for Mental Health and Addictions development, the Forensic Greenhouse project, the Health Data Platform British Columbia Pharmaceutical Data Intake project, Provincial Blood Coordinating Office initiatives, and other Ministry directed initiatives.

	2023	2022
Deferred operating contributions, beginning of year	$ 27,367	$ 34,261
Contributions received during the year	1,137	-
Transferred to deferred capital contributions	(1,063)	(6,799)
Amounts recognized as revenue in the year	(99)	(95)
Deferred operating contributions, end of year	$ 27,342	$ 27,367

(Amounts expressed in thousands of dollars)

9. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from Canadian Institute of Health Research, Canadian Cancer Society, Genome Canada, Terry Fox Research Institute, National Institutes of Health, foundations, pharmaceutical companies and other donors, for various research projects in the fields of diagnostics, treatment and prevention, clinical trials, health promotion, and other special purpose initiatives.

Government transfers	2023	2022
Deferred research and designated contributions, beginning of year	$ 7,638	$ 8,069
Contributions received during the year	19,849	16,036
Amounts to be received in future periods	5,542	4,478
Transferred to deferred capital contributions	(40)	(1,449)
Amounts recognized as revenue in the year	(22,734)	(19,496)
Deferred research and designated contributions, end of year	$ 10,255	$ 7,638

Other contributions	2023	2022
Deferred research and designated contributions, beginning of year	$ 48,711	$ 45,197
Contributions received during the year	85,907	75,074
Amounts to be received in future periods	12,457	15,004
Transferred to deferred capital contributions	(3,656)	(5,553)
Amounts recognized as revenue in the year	(93,445)	(81,011)
Deferred research and designated contributions, end of year	$ 49,974	$ 48,711

	2023	2022
Government transfers	$ 10,255	$ 7,638
Other contributions	49,974	48,711
Balance, end of year	$ 60,229	$ 56,349

(Amounts expressed in thousands of dollars)

10. Government Partnerships:

(a) ARHCC Inc.:

The following is the condensed supplementary financial information of ARHCC Inc. as at and for the years ended March 31:

	2023	2022
Financial assets	$ 164,254	$ 162,511
Liabilities	397,304	405,181
Net debt	233,050	242,670
Non-financial assets	235,631	245,251
Accumulated surplus	2,581	2,581
Revenues	65,488	61,284
Expenses	65,488	61,284

As described in note 1(b), the Authority has a 15% interest in ARHCC Inc., which is recorded on a proportional consolidation basis in the Authority's consolidated financial statements.

(b) Clinical & Systems Transformation (CST):

CST is a multi-year project designed to improve the safety, quality and consistency of patient care across three British Columbia health organizations: Vancouver Coastal Health (VCH), Providence Health Care (PHC) and PHSA. CST will support the health organizations in establishing common clinical and process standards, including workflows, order sets, clinical guidelines, integrated plans of care and a common electronic health record.

The project is jointly controlled by VCH and PHSA, whereby capital and operating costs are allocated between VCH and PHSA based on identifiable cost drivers. If no cost drivers can be identified, then 75% of the shared costs will be allocated to VCH and 25% of the shared costs will be allocated to PHSA. This arrangement is considered "Assets under shared control" under *PS 3060 – Interest in Partnerships*, and therefore, PHSA records its proportionate share of CST costs based on its 25% allocation where costs are not specifically identifiable to PHSA.

The project reached substantial completion on November 5, 2022, upon which time PHSA commenced amortization of the project capital costs. PHSA's allocated capital costs related to the system asset are reflected in Note 15 under Clinical information systems.

As at March 31, 2023 $189,540 (2022 - $161,000) representing PHSA's portion of deferred capital funding from the Ministry of Health is recorded in Deferred Capital Contributions (note 13).

Included in other expenses for the year ended March 31, 2023 is $17,430 (2022 - $40,000) related to project operating costs.

(Amounts expressed in thousands of dollars)

11. Debt:

	2023	2022
P3:		
Abbotsford Regional Hospital and Cancer Centre, 30 year contract to May 2038 with Access Health Abbotsford Ltd., payable in accordance with the project agreement terms including annual interest of 7.75%	$ 51,793	$ 52,910
BC Cancer Centre for the North, 30 year contract to September 2042 with Plenary Health Prince George GP, payable in monthly payments of $117 including annual interest of 8.09% in accordance with the project agreement terms	15,448	15,591
Phase 2 BC Children's and BC Women's Redevelopment Project, 30 year contract to June 2047 with Affinity Partnerships, payable in monthly payments of $1,195 including annual interest of 6.61% in accordance with the project agreement terms	172,170	175,027
	$ 239,411	$ 243,528

Required principal repayments on P3 debt for the years ending March 31 are disclosed in note 17(d).

(Amounts expressed in thousands of dollars)

12. 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 Authority'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	$ 97,176	$ 92,734
Sick leave benefits	46,480	44,503
	143,656	137,237
Unamortized actuarial loss	(20,009)	(21,235)
Accrued benefit liability	$ 123,647	$ 116,002

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

	2023	2022
Accrued benefit liability, beginning of year	$ 116,002	$ 111,843
Net benefit expense:		
Current service cost	10,064	8,841
Interest expense	4,339	4,028
Amortization of actuarial loss	2,374	1,425
Net benefit expense	16,777	14,294
Benefits paid	(9,132)	(10,135)
Accrued benefit liability, end of year	$ 123,647	$ 116,002

(Amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority'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 and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Authority and other provincially funded organizations.

The Authority and all other participating employers are jointly responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, the Authority's net Trust liabilities (assets) are reflected in these consolidated financial statements.

The Authority's assets as of March 31, 2023 are based on the actuarial valuation at December 31, 2022, extrapolated to March 31, 2023. The next expected valuation will be as of December 31, 2023.

(Amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

The long-term disability and health and welfare benefits (asset) obligation reported on the consolidated statement of financial position is as follows:

	2023	2022
Accrued benefit obligation	$ 120,041	$ 116,197
Fair value of plan assets	(117,651)	(116,303)
Net liability/(asset)	$ 2,390	$ (106)

	2023	2022
Long-term disability and health and welfare benefits (asset), beginning of year	$ (106)	$ (327)
Net benefit expense:		
Health and welfare benefit expense	35,683	31,209
Actuarial loss	11,779	9,586
Long-term disability expense	15,492	13,594
Interest expense	5,950	5,327
Non-employer contributions	(1,206)	(882)
Expected return on assets	(6,090)	(5,505)
Net benefit expense	61,608	53,329
Contributions to the plan	(59,112)	(53,108)
Long-term disability and health and welfare benefits liability/(asset), end of year	$ 2,390	$ (106)
Benefits paid to claimants	$ 50,125	$ 46,384

Plan assets consist of:

	2023	2022
Debt securities	35%	42%
Foreign equities	34%	36%
Canadian equities and other	31%	22%
Total	100%	100%

(Amounts expressed in thousands of dollars)

12. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's long-term disability benefit (asset) liabilities are as follows:

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	5.90%	5.10%
Rate of benefit increase		
2022	4.17%	2.00%
2023	7.00%	-
2024	3.00%	-
2025+	2.25%	-
Benefit costs for years ended March 31:		
Discount rate	5.10%	5.10%
Rate of compensation increase	2.00%	2.00%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.90%	5.10%

Actual rate of return on plan assets was -5.88% (2022 – 8.83%).

(c) Joint benefit trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2023, the Authority made contributions to these joint benefit trusts totaling $37,974 (2022 - $35,113).

12. Employee benefits (continued):

(d) Employee pension benefits:

The Authority 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 $102,252 (2022 – $99,629) 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 16,600 (2022 – 15,200) are employees of the Authority. 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 $28,583 (2022 – $24,934) 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 4,400 (2022 – 4,300) are employees of the Authority. 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 (2022 – $4,360) were expensed during the year. As at March 31, 2023, the plan covered approximately 2,514 (2022 – 2,346) active members, all of which are employees of the BC Emergency Health Services.

(Amounts expressed in thousands of dollars)

13. 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	$ 1,562,249	$ 1,421,599
Capital contributions received:		
Ministry of Health	149,197	230,413
Foundations and auxiliaries	18,818	4,813
Other	22,990	8,119
	191,005	243,345
Transfer of tangible capital assets to other Health Authorities	-	(61)
Amortization for the year	(125,927)	(102,634)
Deferred capital contributions, end of year	$ 1,627,327	$ 1,562,249

Deferred capital contributions comprise the following:

	2023	2022
Contributions used to purchase tangible capital assets	$ 1,406,244	$ 1,387,136
Unspent contributions	221,083	175,113
	$ 1,627,327	$ 1,562,249

14. Asset retirement obligation:

The Authority 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 Authority 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 Authority 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)

14. Asset retirement obligation (continued):

(b) Leasehold restoration obligation:

The Authority 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 Authority at the end of the lease term. Following the adoption of PS 3280, *Asset Retirement Obligations*, the Authority 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	$ 17,670	$ 2,774	$ 20,444
Accretion expense	429	82	511
Closing balance	$ 18,099	$ 2,856	$ 20,955

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)	17,253	2,694	19,947
Opening balance, as restated	17,253	2,694	19,947
Accretion expense	417	80	497
Closing balance	$ 17,670	$ 2,774	$ 20,444

(Amounts expressed in thousands of dollars)

15. Tangible capital assets:

Cost	2022 (Restated – note 2)	Additions	Disposals	Transfers	2023
Land	$ 143,780	$ -	$ -	$ -	$ 143,780
Land improvements	8,598	135	-	-	8,733
Buildings	1,547,196	932	(22)	11,112	1,559,218
Equipment	640,032	46,301	(9,559)	15,950	692,724
Information systems	333,773	3,851	(169)	66,069	403,524
Clinical information systems (note 10(b))	-	-	-	149,379	149,379
Leasehold improvements	64,022	84	(4,500)	4,056	63,662
Vehicles	107,342	14,907	(4,474)	1,914	119,689
Construction in progress	45,378	35,830	-	(34,103)	47,105
Equipment and information systems in progress	207,210	43,083	-	(214,377)	35,916
Total	$3,097,331	$ 145,123	$ (18,724)	$ -	$3,223,730

Accumulated amortization	2022 (Restated – note 2)	Amortization	Disposals	Transfers	2023
Land improvements	$ 5,131	$ 628	$ -	$ -	$ 5,759
Buildings	495,956	41,075	(9)	(420)	536,602
Equipment	441,202	50,375	(9,501)	-	482,076
Information systems	289,973	25,440	(169)	-	315,244
Clinical information systems (note 10(b))	-	4,596	-	-	4,596
Leasehold improvements	39,830	2,931	(4,499)	420	38,682
Vehicles	63,266	10,902	(4,341)	-	69,827
Total	$1,335,358	$ 135,947	$ (18,519)	$ -	$1,452,786

15. Tangible capital assets (continued):

(Amounts expressed in thousands of dollars)

Cost	2021 (Restated – note 2)	Additions	Disposals	Transfers	2022 (Restated – note 2)
Land	$ 143,780	$ -	$ -	$ -	$ 143,780
Land improvements	8,598	-	-	-	8,598
Buildings	1,414,882	732	-	131,582	1,547,196
Equipment	596,842	38,995	(16,375)	20,570	640,032
Information systems	309,394	890	(1,540)	25,029	333,773
Leasehold improvements	63,744	74	-	204	64,022
Vehicles	97,659	15,496	(5,813)	-	107,342
Construction in progress	155,801	42,212	-	(152,635)	45,378
Equipment and information systems in progress	179,919	52,102	-	(24,811)	207,210
Total	$2,970,619	$ 150,501	$ (23,728)	$ (61)	$3,097,331

Accumulated amortization	2021 (Restated – note 2)	Amortization	Disposals	Transfers	2022 (Restated – note 2)
Land improvements	$ 4,506	$ 625	$ -	$ -	$ 5,131
Buildings	456,087	39,869	-	-	495,956
Equipment	414,726	42,756	(16,280)	-	441,202
Information systems	274,244	17,269	(1,540)	-	289,973
Leasehold improvements	36,879	2,951	-	-	39,830
Vehicles	60,021	9,020	(5,775)	-	63,266
Total	$1,246,463	$ 112,490	$ (23,595)	$ -	$1,335,358

(Amounts expressed in thousands of dollars)

15. Tangible capital assets (continued):

Net book value	2023	2022 (Restated – note 2)
Land	$ 143,780	$ 143,780
Land improvements	2,974	3,467
Buildings	1,022,616	1,051,240
Equipment	210,648	198,830
Information systems	88,280	43,800
Clinical information systems	144,783	-
Leasehold improvements	24,980	24,192
Vehicles	49,862	44,076
Construction in progress	47,105	45,378
Equipment and information systems in progress	35,916	207,210
Total	$ 1,770,944	$ 1,761,973

Tangible capital assets are funded as follows:

	2023	2022
Deferred capital contributions	$ 1,406,244	$ 1,387,136
Debt	242,828	247,212
Internally funded	121,872	127,625
Tangible capital assets	$ 1,770,944	$ 1,761,973

16. Inventories held for use:

	2023	2022
Pharmaceuticals	$ 55,643	$ 46,761
Medical supplies	884	913
	$ 56,527	$ 47,674

(Amounts expressed in thousands of dollars)

17. Commitments and contingencies:

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

As at March 31, 2023, the Authority had outstanding commitments for construction, equipment and information systems in progress of $95,881 (2022 - $27,178).

(b) Contractual obligations:

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

2024	$	191,568
2025		65,963
2026		23,927
2027		20,810
2028		18,630
Thereafter		-
	$	320,898

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2024	$	32,827
2025		28,014
2026		24,426
2027		18,351
2028		12,463
Thereafter		50,078
	$	166,159

(Amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

(d) Public-private partnerships commitments:

ARHCC Inc. entered into a multi-year P3 contract with the private sector partner Access Health Abbotsford Ltd. ("AHA"). Under the agreement, AHA designed, constructed, financed and will maintain the Abbotsford Regional Hospital and Cancer Centre facilities until the end of the term of the agreement in May 2038. Payment guarantees have been provided by the Province for the payment obligations to AHA.

BCCA entered into a multi-year P3 contract with the private sector partner Plenary Health Prince George GP ("Plenary Health") to build the BC Cancer Agency Centre for the North in Prince George, BC. Under the agreement, Plenary Health designed, constructed, financed and will maintain the facilities until the end of the term of the agreement in September 2042. Payment guarantees have been provided by the Province for the payment obligations to Plenary Health.

Children's & Women's Health Centre of British Columbia entered into a multi-year P3 contract with the private sector partner Affinity Partnerships. Under the agreement, Affinity Partnerships will design, construct, partially finance and maintain the Teck Acute Care Centre until the end of the term of the agreement in June 2047. Payment guarantees have been provided by the Province for the payment obligations to Affinity Partnerships.

The information presented below shows the anticipated cash outflow for future obligations under these contracts for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. The asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as debt and disclosed in note 11. FM and lifecycle payments to the private partners are contingent on specified performance criteria and include an estimation of inflation, where applicable.

	Capital and financing	FM and lifecycle	Total payments
2024	$ 21,475	$ 15,376	$ 36,851
2025	21,598	14,766	36,364
2026	21,713	15,824	37,537
2027	21,636	17,347	38,983
2028	21,739	17,645	39,384
Thereafter	365,237	429,347	794,584
	$ 473,398	$ 510,305	$ 983,703

(Amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

(d) Public-private partnerships commitments (continued):

Required principal repayments on P3 debt for the years ending March 31 included in capital and financing commitments above are as follows:

2024	$	4,482
2025		4,943
2026		5,405
2027		5,903
2028		6,408
Thereafter		212,270
	$	239,411

(e) 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 Authority'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 Authority 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 Authority'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.

18. Statement of operations:

(a) Other contributions:

		2023		2022
Other health authorities	$	78,961	$	78,982
Foundations and auxiliaries		30,028		30,461
Other ministries		5,799		3,999
Federal government		708		729
Other		3,124		3,052
	$	118,620	$	117,223

(Amounts expressed in thousands of dollars)

18. Statement of operations (continued):

(b) Other revenues:

	2023	2022
Recoveries from sales of goods and services	$ 33,242	$ 35,782
Parking	3,951	-
Drug sales	1,231	1,320
Other	2,931	2,147
	$ 41,355	$ 39,249

(c) Patients, clients and residents:

	2023	2022
Non-residents of BC	$ 10,575	$ 9,452
Non-residents of Canada	4,891	3,287
Federal government	3,116	1,162
Residents of BC self pay	1,900	3,231
Workers' Compensation Board	1,372	283
Preferred accommodation	833	524
Other	1,948	1,665
	$ 24,635	$ 19,604

(Amounts expressed in thousands of dollars)

18. Statement of operations (continued):

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

	2023 (Restated – note 2)	2022
Compensation:		
Compensation	$ 1,822,296	$ 1,645,501
Employee benefits	443,924	380,575
Actuarial loss on event-driven employee benefits	11,779	9,586
	2,277,999	2,035,662
Referred-out and contracted services:		
Other health authorities and BC government reporting entities	664,078	625,622
Health and support services providers and other	267,666	266,673
	931,744	892,295
Supplies:		
Drugs and medical gases	351,293	338,376
Medical and surgical	98,477	92,750
Diagnostic	37,482	49,878
Fuel	12,715	10,450
Housekeeping and Laundry	6,809	5,892
Food and dietary	6,696	5,702
Printing, stationery and office	4,372	5,527
Other	29,389	23,327
	547,233	531,902
Cost of inventories sold:		
Other health authorities and BC government reporting entities	355,795	377,895
Non-BC government reporting entities	102,877	-
	458,672	377,895
Equipment and building services:		
Equipment	253,918	230,550
Rent	72,227	72,796
Building and grounds service contracts	15,156	17,406
Plant operations (utilities)	12,984	12,699
	354,285	333,451
Sundry:		
Professional fees	125,608	104,747
Travel	17,089	11,588
Delivery and Courier	12,963	16,697
Communication and data processing	10,402	8,950
Other	50,179	33,245
	216,241	175,227
Write-down of inventories held for sale	167,481	10,044
Amortization of tangible capital assets	135,947	112,490
Research and designated expenses	116,179	100,507
Interest on debt	17,090	17,283
Accretion of asset retirement obligations	511	497
Net book value of disposed tangible capital assets	205	133
	$ 5,223,587	$ 4,587,386

(Amounts expressed in thousands of dollars)

19. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2023	2022
Accounts receivable	$ (172,734)	$ 54,830
Inventories held for sale	115,158	(197,358)
Accounts payable and accrued liabilities	162,169	39,127
Deferred operating contributions	(25)	(95)
Deferred research and designated contributions	3,880	3,083
Inventories held for use	(8,853)	(1,932)
Prepaid expenses	(4,171)	91,622
	$ 95,424	$ (10,723)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through non-cash transactions are excluded from the acquisition of tangible capital assets on the consolidated statement of cash flows. During the year ended March 31, 2023, PHSA received $23,054 (2022 - $nil) of contributed tangible capital assets.

20. Related parties and other agencies:

(a) BC government reporting entities:

The Authority 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 18(d) 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 consolidated statement of operations and accumulated operating surplus 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 consolidated financial statements approximate fair value.

20. Related parties and other agencies (continued):

(b) Foundations and auxiliaries:

The following foundations and auxiliaries were established to raise funds for the respective hospitals and/or health services within the Authority. The foundations and auxiliaries are separate legal entities incorporated under the *Society Act of British Columbia* with separate governance structures. The foundations and some of the auxiliaries are registered charities under the provisions of the *Income Tax Act of Canada*. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the consolidated financial statements of the Authority.

The Authority has the economic relationships with the following foundations and auxiliaries:

BC Cancer Foundation
BCCDC Foundation for Population and Public Health
British Columbia's Children's Hospital Foundation
British Columbia's Women's Hospital and Health Centre Foundation
The Auxiliary to British Columbia's Children's Hospital
British Columbia's Women's Hospital and Health Centre Auxiliary
British Columbia Centre of Excellence for Women’s Health Society

During the year, the Authority received contributions of $89 million (2022 – $77 million) from the various foundations and auxiliaries.

21. Risk management:

The Authority is exposed to credit risk, liquidity risk and foreign exchange risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Authority’s financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Authority’s accounts receivable. The risk exposure is limited to the carrying amounts at the date of the consolidated statement of financial position.

Accounts receivable primarily consist of amounts receivable from the Ministry, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Authority 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 $37,976 (2022 – $31,954).

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

(Amounts expressed in thousands of dollars)

21. Risk management (continued):

(b) Liquidity risk:

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

The Authority's principal source of funding is from the Ministry. The Authority 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 Authority has complied with the external restrictions on the funding provided.

All of the Authority's financial assets mature within one year. The tables below show when various financial liabilities mature:

2023 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 813,454	$ 1,158	$ 2,830	$ 817,442
Long-term debt	4,482	22,659	212,270	239,411
Total financial liabilities	$ 817,936	$ 23,817	$ 215,100	$ 1,056,853

2022 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 654,091	$ 1,182	$ -	$ 655,273
Long-term debt	4,118	20,734	218,676	243,528
Total financial liabilities	$ 658,209	$ 21,916	$ 218,676	$ 898,801

Long-term debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

21. Risk management (continued):

(c) Foreign exchange risk:

The Authority's operating results and financial position are reported in Canadian dollars. As the Authority operates in an international environment, some of the Authority's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Authority's operations are subject to currency transaction and translation risks.

The Authority makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2023	2022
US dollar per Canadian dollar	$ 0.739	$ 0.800

The Authority has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short term in nature and do not give rise to significant foreign currency risk.

(Amounts expressed in thousands of dollars)

22. BC Societies Act:

Under the Societies Act of British Columbia, the Authority is subject to certain financial statement disclosure requirements. These disclosure requirements include: (a) remuneration paid to the Society's directors, (b) remuneration paid to the ten most highly paid employees and contractors of the Society who were paid at least seventy-five thousand dollars during the period, and (c) any financial assistance provided by the Society during the period that was outside the ordinary course of activities.

(a) Remuneration paid to Directors:

The following table sets out remuneration paid to each member of the Board of Directors for the year ended March 31, 2023:

Board Position		2023
Board Chair	$	39
Chair – Audit Committee		21
Chair – Cultural Safety and Humility Committee		24
Chair – Finance and Operations Committee, term began January 1, 2023		17
Former Chair – Finance and Operations Committee, term ended December 31, 2022		15
Chair – People and Governance Committee, term began January 1, 2023		16
Former Chair – People and Governance Committee, term ended December 31, 2022		20
Former Chair – Quality and Safety Committee, term ended November 18, 2022		13
Chair – Research and Academic Development Committee		21
Member & Secretary of the Board		17
Member		18
Member		16
Member		15
Member		13
	$	265

(b) Remuneration paid to highest paid employees and contractors:

The ten most highly remunerated persons whose remuneration was at least seventy-five thousand dollars during the year ended March 31, 2023 received an aggregate of $7.9 million (2022 – $7.0 million) from the Authority during that period. All of these individuals are physicians.

(c) Financial assistance:

The Authority did not provide any financial assistance outside the ordinary course of activities during the year ended March 31, 2023.

23. Comparative Figures

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