

Consolidated Financial Statements of

**FRASER HEALTH AUTHORITY**

Year ended March 31, 2020

## Statement of Management Responsibility

The consolidated financial statements of Fraser Health Authority (the “Authority”) for the year ended March 31, 2020 have been prepared by management in accordance with Canadian public sector accounting standards (“PSAS”) issued by the Public Sector Accounting Board (“PSAB”), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the *Restricted Contributions Regulation 198/2011*. The integrity and objectivity of these statements are management’s responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

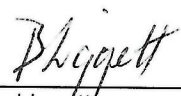
The Authority’s internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The external auditors, PricewaterhouseCoopers LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination considers internal control relevant to management’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority’s internal control. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Fraser Health Authority



Dr. Victoria Lee,  
President and CEO



Brenda Liggett,  
Vice President, System Optimization and  
Chief Financial Officer

June 15, 2020



## *Independent auditor's report*

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

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements of Fraser Health Authority and its subsidiaries (together the Authority) as at March 31, 2020 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

#### **What we have audited**

The Authority's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of operations and accumulated deficit for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Emphasis of matter – basis of accounting*

We draw attention to note 1(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 1(a) to the consolidated financial statements provides a description of the nature of these differences. Our opinion is not modified in respect of this matter.

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PricewaterhouseCoopers LLP  
Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3  
T: +1 604 806 7000, F: +1 604 806 7806



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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of 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 Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Surrey, British Columbia  
June 17, 2020

# FRASER HEALTH AUTHORITY

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

As at March 31, 2020

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents (note 2)	\$ 353,092	\$ 321,484
Accounts receivable (note 3)	175,142	189,967
Long-term disability and health and welfare benefits (note 7(b))	22,316	4,535
	<u>550,550</u>	<u>515,986</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	423,302	374,354
Deferred operating contributions (note 5)	12,552	6,087
Debt (note 6)	616,702	627,667
Lease inducements	6,472	7,567
Retirement allowance (note 7(a))	163,772	159,962
Deferred capital contributions (note 8)	1,219,455	1,098,136
	<u>2,442,255</u>	<u>2,273,773</u>
<b>Net debt</b>	<u>(1,891,705)</u>	<u>(1,757,787)</u>
<b>Non-financial assets</b>		
Prepaid expenses	48,715	51,708
Inventories held for use (note 9)	9,535	9,249
Tangible capital assets (note 10)	1,702,419	1,565,030
	<u>1,760,669</u>	<u>1,625,987</u>
<b>Accumulated deficit</b>	<u>\$ (131,036)</u>	<u>\$ (131,800)</u>

Commitments and contingencies (note 11)  
Significant event (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Jim Sinclair, Board Chair



Tom Kim, Director

# FRASER HEALTH AUTHORITY

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

Year ended March 31, 2020

	Budget	2020	2019
	(note 1(l))		
Revenues:			
Ministry of Health contributions	\$ 3,260,000	\$ 3,404,102	\$ 3,135,745
Medical Services Plan	181,300	200,809	194,401
Recoveries from other health authorities and BC government reporting entities	122,600	124,734	122,122
Patients, clients and residents (note 12(a))	92,500	108,377	105,110
Other contributions (note 12(b))	85,700	91,064	85,656
Amortization of deferred capital contributions (note 8)	85,400	84,373	86,175
Other (note 12(c))	36,019	71,449	62,595
Interest income	2,781	5,294	5,087
	3,866,300	4,090,202	3,796,891
Expenses (note 12(d)):			
Acute	2,149,000	2,340,823	2,198,179
Long term care	642,900	652,409	615,532
Community care	395,900	401,509	352,161
Mental health and substance use	296,500	299,712	277,637
Corporate	285,100	288,736	275,907
Population health and wellness	96,900	106,249	95,577
	3,866,300	4,089,438	3,814,993
Annual surplus (deficit)	-	764	(18,102)
Accumulated deficit, beginning of year	(131,800)	(131,800)	(113,698)
Accumulated deficit, end of year	\$ (131,800)	\$ (131,036)	\$ (131,800)

See accompanying notes to consolidated financial statements.

# FRASER HEALTH AUTHORITY

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

Year ended March 31, 2020

	Budget (note 1(l))	2020	2019
Annual surplus (deficit)	\$ -	\$ 764	\$ (18,102)
Acquisition of tangible capital assets	(314,970)	(247,968)	(220,091)
Adjustment on disposal of tangible capital assets	-	79	258
Amortization of tangible capital assets	114,300	109,433	110,303
Loss on disposal of tangible capital assets	-	1,066	1
	(200,670)	(136,626)	(127,631)
Acquisition of inventories held for use	-	(85,414)	(80,837)
Acquisition of prepaid expenses	-	(61,455)	(82,073)
Consumption of inventories held for use	-	85,128	80,610
Use of prepaid expenses	-	64,449	81,127
	-	2,708	(1,173)
Increase in net debt	(200,670)	(133,918)	(128,804)
Net debt, beginning of year	(1,757,787)	(1,757,787)	(1,628,983)
Net debt, end of year	\$ (1,958,457)	\$ (1,891,705)	\$ (1,757,787)

See accompanying notes to consolidated financial statements.



# FRASER HEALTH AUTHORITY

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

Year ended March 31, 2020

	2020	2019
Cash flows from (used in) operating activities:		
Annual surplus (deficit)	\$ 764	\$ (18,102)
Items not involving cash:		
Amortization of deferred capital contributions	(84,373)	(86,175)
Amortization of tangible capital assets	109,433	110,303
Amortization of lease inducements	(1,095)	(1,095)
Loss on disposal of tangible capital assets	1,066	1
Retirement allowance expense	14,183	13,133
Long-term disability and health and welfare benefits expense	61,644	81,633
Interest expense	46,641	47,277
Interest income	(5,294)	(5,087)
	142,969	141,888
Net change in non-cash operating items (note 13)	72,945	(19,964)
Net change in accrued acquisition of tangible capital assets	(6,219)	(17,081)
Retirement allowance benefits paid	(10,371)	(11,183)
Long-term disability and health and welfare benefits contributions	(79,425)	(70,925)
Interest paid	(46,641)	(47,277)
Interest received	5,294	5,087
<b>Net change in cash from (used in) operating activities</b>	<b>78,552</b>	<b>(19,455)</b>
Capital activities:		
Adjustment on disposal of tangible capital assets	79	258
Acquisition of tangible capital assets	(241,749)	(203,011)
<b>Net change in cash used in capital activities</b>	<b>(241,670)</b>	<b>(202,753)</b>
Financing activities:		
Repayment of debt	(10,966)	(9,678)
Capital contributions	205,692	203,558
<b>Net change in cash from financing activities</b>	<b>194,726</b>	<b>193,880</b>
Increase (decrease) in cash and cash equivalents	31,608	(28,328)
Cash and cash equivalents, beginning of year	321,484	349,812
<b>Cash and cash equivalents, end of year</b>	<b>\$ 353,092</b>	<b>\$ 321,484</b>

Supplementary cash flow information (note 13)

See accompanying notes to consolidated financial statements.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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Fraser Health Authority (the "Authority") was created under the *Health Authorities 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 registered charity under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The Authority provides services including inpatient hospital care, outpatient diagnostics and treatments, rehabilitation care, long term care, specialized children's services and programs, community, home care and home support services, and environmental and public health services.

## 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.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 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 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 accumulated deficit and certain related deferred capital contributions would be recorded differently under PSAS.

### (b) Basis of consolidation:

The Authority and the Provincial Health Services Authority ("PHSA") 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 Authority and 18 (15%) common shares are held by the PHSA. The Authority's interest in ARHCC Inc. is recorded on a proportional consolidation basis in these consolidated financial statements.

### (c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

### (d) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight-line basis over the lease term.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (e) 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 pro-rated 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 for 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 10 years (2019 - 10 years). Actuarial gains and losses from 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 obligations is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are 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.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 1. Significant accounting policies (continued):

### (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.

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	10 - 50 years
Equipment	3 - 20 years
Information systems	3 - 10 years
Leasehold improvements	Lease term

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 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) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

#### (iii) Prepaid expenses:

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

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (g) Revenue recognition:

Under the *Hospital Insurance Act and Regulation* thereto, the Authority 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 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. Because of the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

Contributions of assets, supplies and services 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 the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

### (h) 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 consolidated 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, amounts to settle asset retirement obligations, contingent liabilities and the future costs to settle employee benefit obligations.

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.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (i) 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 consolidated financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or consolidated statement of financial position date is recognized in the consolidated statement of operations and accumulated deficit.

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

Interest and dividends attributable to financial instruments are reported in the consolidated 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 consolidated 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 Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (k) 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 directly by the Authority.

The asset cost includes development and financing fees estimated at fair value, which require 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 net of the 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 the capital.

### (l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority’s initial budget approved by the Board of Directors on April 15, 2019.



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

(m) Future accounting standards:

(i) In March 2018, PSAB issued PS 3280, *Asset Retirement Obligations*. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are as follows:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the consolidated financial statements of the Authority.

(ii) In June 2018, PSAB issued PS 3400, *Revenue*. PS 3400 proposes a framework describing two categories of revenue – transactions with performance obligations and transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS 3400 on the consolidated financial statements of the Authority.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 2. Cash and cash equivalents:

	2020	2019
Cash and cash equivalents	\$ 353,092	\$ 321,484
Amounts restricted for capital purposes	(83,409)	(106,418)
Amounts restricted for P3 projects	(143,629)	(139,125)
Amounts restricted for patient comfort funds	(780)	(771)
Unrestricted cash and cash equivalents	\$ 125,274	\$ 75,170

## 3. Accounts receivable:

	2020	2019
Other health authorities and BC government reporting entities	\$ 56,764	\$ 57,481
Ministry of Health	50,587	68,534
Patients, clients and residents	45,473	43,902
Medical Services Plan	15,549	13,178
Foundations and auxiliaries	10,380	2,091
Federal government	3,046	3,405
Other	9,154	11,136
	190,953	199,727
Allowance for doubtful accounts	(15,811)	(9,760)
	\$ 175,142	\$ 189,967

## 4. Accounts payable and accrued liabilities:

	2020	2019
Trade accounts payable and accrued liabilities	\$ 195,014	\$ 180,101
Salaries and benefits payable	132,350	108,266
Accrued vacation pay	95,938	85,987
	\$ 423,302	\$ 374,354

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 5. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes, such as multi-year projects and research.

	2020	2019
Deferred operating contributions, beginning of year	\$ 6,087	\$ 7,191
Contributions received during the year for specific purposes	12,503	4,699
Amounts recognized as revenue in the year	(6,038)	(5,803)
Deferred operating contributions, end of year	\$ 12,552	\$ 6,087

## 6. Debt:

	2020	2019
Abbotsford Regional Hospital and Cancer Centre Inc., 30-year contract to May 2038 with Access Health Abbotsford Ltd., payable in monthly payments including annual interest of 7.75%, payable in accordance with the project agreement terms	\$ 309,581	\$ 313,169
Surrey Memorial Hospital Redevelopment Project, 30-year contract to February 2044 with Integrated Team Solutions SMH Partnership, payable in monthly payments including annual interest of 7.76%, payable in accordance with the project agreement terms	167,760	170,118
Jim Pattison Outpatient Care and Surgery Centre, 30-year contract to March 2041 with BCHS Healthcare (Surrey) Limited Partnership, payable in monthly payments including annual interest of 6.21%, payable in accordance with the project agreement terms	139,361	144,380
	\$ 616,702	\$ 627,667

Required principal repayments on P3 debt for the years ending March 31 are disclosed with P3 commitments in note 11(e).

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. Employee benefits:

### (a) Retirement allowance:

Certain employees with 10 or 20 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, 2018 and extrapolated to March 31, 2020 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2020 are derived. The next required valuation will be as of December 31, 2021.

Information about retirement allowance benefits is as follows:

	2020	2019
Accrued benefit obligation:		
Severance benefits	\$ 92,983	\$ 87,493
Sick leave benefits	61,263	57,595
	154,246	145,088
Unamortized actuarial gain	9,526	14,874
Accrued benefit liability	\$ 163,772	\$ 159,962

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

	2020	2019
Accrued benefit liability, beginning of year	\$ 159,962	\$ 158,012
Net benefit expense:		
Current service cost	10,706	9,835
Interest expense	5,817	5,730
Amortization of actuarial gain	(2,342)	(2,432)
Net benefit expense	14,181	13,133
Benefits paid	(10,371)	(11,183)
Accrued benefit liability, end of year	\$ 163,772	\$ 159,962

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 7. Employee benefits (continued):

### (a) Retirement allowance (continued):

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

	2020	2019
Accrued benefit obligation as at March 31:		
Discount rate	3.79%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	4.01%
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 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.

Long-term disability and health and welfare benefits:

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 are reflected in these consolidated financial statements.

The Authority's net asset as of March 31, 2020 is based on the actuarial valuation at December 31, 2019, extrapolated to March 31, 2020. The next expected valuation is as of December 31, 2020.

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

	2020	2019
Accrued benefit obligation	\$ 222,404	\$ 218,276
Fair value of plan assets	(244,720)	(222,811)
Long-term disability and health and welfare benefits asset	\$ (22,316)	\$ (4,535)

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

Long-term disability and health and welfare benefits (continued):

	2020	2019
Long-term disability and health and welfare benefits asset, beginning of year	\$ (4,535)	\$ (15,243)
Net benefit expense:		
Benefit expense	72,325	66,846
Interest expense	12,379	12,431
Actuarial loss (gain)	(8,080)	18,601
Expected return on assets	(12,879)	(13,460)
Other	(2,101)	(2,785)
Net benefit expense	61,644	81,633
Contributions to the plan	(79,425)	(70,925)
Long-term disability and health and welfare benefits asset, end of year	\$ (22,316)	\$ (4,535)
Benefits paid to claimants	\$ 84,169	\$ 80,429
Plan assets consist of:		
	2020	2019
Debt securities	39%	40%
Foreign equities	36%	34%
Canadian equities and other	25%	26%
Total	100%	100%

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 7. Employee benefits (continued):

### (b) Healthcare Benefit Trust benefits (continued):

Long-term disability and health and welfare benefits (continued):

The significant actuarial assumptions adopted in measuring the Authority's long-term disability and health and welfare benefits liabilities are as follows:

	2020	2019
Accrued benefit obligation as at March 31:		
Discount rate	5.60%	5.80%
Rate of benefit increase	2.00%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.60%	5.80%
Rate of compensation increase	2.00%	1.50%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.60%	5.80%

The actual rate of return on plan assets was 12.4% for the year ended December 31, 2019 (December 31, 2018 – 0.5%).

### (c) Joint Benefit Trust benefits:

The Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association, jointly with employers, manage joint benefit trusts ("JBTs") to provide long term disability and health and welfare benefits to these groups of employees. Employer contributions to the JBTs are based on a specified percentage of payroll costs. During the year ended March 31, 2020, the Authority made contributions of \$50.9 million (2019 - \$45.6 million) which were expensed in the year.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 7. Employee benefits (continued):

### (d) Employee pension benefits:

The Authority and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan (jointly trusted pension plans). These plans are multi-employer defined benefit plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$128.9 million (2019 - \$120.2 million) 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, 2018 indicated a funding surplus of approximately \$2,866 million. The actuary does not attribute portions of the unfunded surplus to individual employers. The plan covers approximately 205,000 active members, of which approximately 25,157 (2019 – 23,540) are employees of the Authority. The next expected actuarial valuation date would be as of December 31, 2021 with results available in 2022.

Employer contributions to the Public Service Pension Plan of \$1.8 million (2019 - \$1.9 million) 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, 2017 indicated a surplus of approximately \$1,896 million. The actuary does not attribute portions of the unfunded surplus to individual employers. The plan covers approximately 64,000 active members, of which approximately 269 (2019 - 301) are employees of the Authority. The next expected actuarial valuation date will be as of March 31, 2020 with results available in early 2021.



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 8. Deferred capital contributions:

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

	2020	2019
Deferred capital contributions, beginning of year	\$ 1,098,136	\$ 980,753
Capital contributions received:		
Ministry of Health	170,325	181,102
Foundations and auxiliaries	29,502	15,265
Regional hospital district	1,828	4,356
Other	4,116	3,093
	205,771	203,816
Amortization for the year	(84,373)	(86,175)
Adjustment on disposal of tangible capital assets	(79)	(258)
Deferred capital contributions, end of year	\$ 1,219,455	\$ 1,098,136

Deferred capital contributions comprise the following:

	2020	2019
Contribution used to purchase tangible capital assets	\$ 1,127,652	\$ 993,996
Unspent contributions	91,803	104,140
	\$ 1,219,455	\$ 1,098,136

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 9. Inventories held for use:

	2020	2019
Pharmaceuticals	\$ 8,377	\$ 7,310
Medical supplies	1,158	1,939
	<b>\$ 9,535</b>	<b>\$ 9,249</b>

## 10. Tangible capital assets:

Cost	2019	Additions	Disposals	Transfers	2020
Land	\$ 25,665	\$ -	\$ -	\$ -	\$ 25,665
Land improvements	13,321	3	-	6	13,330
Buildings	2,017,453	15,126	(4,274)	32,806	2,061,111
Equipment	604,031	28,745	(13,671)	8,825	627,930
Information systems	127,251	1,979	(80)	5,441	134,591
Leasehold improvements	38,807	2,993	-	10,468	52,268
Construction in progress	255,636	179,976	-	(43,315)	392,297
Equipment and information systems in progress	28,593	19,146	(1,065)	(14,231)	32,443
<b>Total</b>	<b>\$ 3,110,757</b>	<b>\$ 247,968</b>	<b>\$ (19,090)</b>	<b>\$ -</b>	<b>\$ 3,339,635</b>

Accumulated amortization	2019	Amortization	Disposals	2020
Land improvements	\$ 7,135	\$ 616	\$ -	\$ 7,751
Buildings	936,625	59,008	(4,260)	991,373
Equipment	480,109	36,359	(13,604)	502,864
Information systems	103,808	9,904	(80)	113,632
Leasehold improvements	18,050	3,546	-	21,596
<b>Total</b>	<b>\$ 1,545,727</b>	<b>\$ 109,433</b>	<b>\$ (17,944)</b>	<b>\$ 1,637,216</b>

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 10. Tangible capital assets (continued):

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 25,665	\$ -	\$ -	\$ -	\$ 25,665
Land improvements	11,740	1,136	-	445	13,321
Buildings	1,988,079	3,419	(368)	26,323	2,017,453
Equipment	590,666	20,850	(15,624)	8,139	604,031
Information systems	118,131	4,100	(49)	5,069	127,251
Leasehold improvements	32,555	3,708	-	2,544	38,807
Construction in progress	116,900	167,776	-	(29,040)	255,636
Equipment and information systems in progress	22,970	19,103	-	(13,480)	28,593
<b>Total</b>	<b>\$ 2,906,706</b>	<b>\$ 220,092</b>	<b>\$ (16,041)</b>	<b>\$ -</b>	<b>\$ 3,110,757</b>

Accumulated amortization	2018	Amortization	Disposals	2019
Land improvements	\$ 6,578	\$ 557	\$ -	\$ 7,135
Buildings	877,396	59,579	(350)	936,625
Equipment	457,369	38,123	(15,383)	480,109
Information systems	94,451	9,406	(49)	103,808
Leasehold improvements	15,412	2,638	-	18,050
<b>Total</b>	<b>\$ 1,451,206</b>	<b>\$ 110,303</b>	<b>\$ (15,782)</b>	<b>\$ 1,545,727</b>

Net book value	2020	2019
Land	\$ 25,665	\$ 25,665
Land improvements	5,579	6,186
Buildings	1,069,738	1,080,828
Equipment	125,066	123,922
Information systems	20,959	23,443
Leasehold improvements	30,672	20,757
Construction in progress	392,297	255,636
Equipment and information systems in progress	32,443	28,593
<b>Total</b>	<b>\$ 1,702,419</b>	<b>\$ 1,565,030</b>

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 10. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2020	2019
Deferred capital contributions	\$ 1,127,652	\$ 993,996
Debt	602,702	613,671
Internally funded	(27,935)	(42,637)
<b>Tangible capital assets</b>	<b>\$ 1,702,419</b>	<b>\$ 1,565,030</b>

## 11. Commitments and contingencies:

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

As at March 31, 2020, the Authority had outstanding commitments for construction, equipment and information systems in progress of \$177.4 million (2019 - \$175.8 million).

(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 for the years ending March 31 are as follows:

2021	\$ 39,182
2022	18,060
2023	18,512
2024	18,975
2025	19,449
Thereafter	40,369
	<b>\$ 154,547</b>

(c) Long term care and health care service provider contracts:

The Authority has entered into contracts with 929 service providers to provide long term and health care services. The aggregate annual commitments for these contracts for the year ended March 31, 2020 are \$610.0 million (2019 - \$665.0 million).

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 11. Commitments and contingencies (continued):

### (d) Operating leases:

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

2021	\$	41,529
2022		36,508
2023		29,508
2024		25,662
2025		24,015
Thereafter		62,120
	\$	219,342

### (e) Public-private partnerships commitments:

The Authority has entered into multiple-year P3 contracts to design, build, finance and maintain the Abbotsford Regional Hospital and Cancer Centre, the Jim Pattison Outpatient Care and Surgery Centre and the Surrey Memorial Hospital Redevelopment Project. 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. As construction progressed, the asset values were recorded as tangible capital assets and the corresponding liabilities were recorded as debt and disclosed in note 6. FM and lifecycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Capital and financing	FM and lifecycle	Total payments
2021	\$ 57,246	\$ 34,482	\$ 91,728
2022	57,182	35,234	92,416
2023	57,109	39,653	96,762
2024	58,012	44,153	102,165
2025	58,397	41,984	100,381
Thereafter	943,659	782,441	1,726,100
	\$ 1,231,605	\$ 977,947	\$ 2,209,552

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

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## 11. Commitments and contingencies (continued):

(e) 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:

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2021	\$	11,921
2022		12,696
2023		13,526
2024		15,190
2025		16,687
Thereafter		546,682
	\$	616,702

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(f) 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, 2020, 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 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.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 12. Consolidated statement of operations:

### (a) Patients, clients and residents revenue:

	2020	2019
Long-term and extended care	\$ 34,601	\$ 34,770
Non-residents of Canada	30,382	25,193
WorkSafe BC	15,229	15,830
Non-residents of BC	11,114	13,572
Residents of BC self-pay	9,500	7,581
Preferred accommodation	3,247	3,971
Federal government	2,165	2,270
Other	2,139	1,923
	<u>\$ 108,377</u>	<u>\$ 105,110</u>

### (b) Other contributions:

	2020	2019
Other health authorities	\$ 83,034	\$ 78,007
Other ministries	3,732	3,663
Other	4,298	3,986
	<u>\$ 91,064</u>	<u>\$ 85,656</u>

### (c) Other revenues:

	2020	2019
Compensation recoveries	\$ 29,002	\$ 22,290
Parking	14,153	15,471
Recoveries from sale of goods and services	11,545	9,046
Other	16,749	15,788
	<u>\$ 71,449</u>	<u>\$ 62,595</u>

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

## 12. Consolidated statement of operations (continued):

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

	2020	2019
Compensation:		
Compensation	\$ 1,902,819	\$ 1,765,815
Employee benefits	426,004	375,829
Loss (gain) on event-driven employee benefits	(9,700)	17,494
	2,319,123	2,159,138
Referred-out and contracted services:		
Health and support services providers	789,979	745,624
Other health authorities and BC government reporting entities	249,308	230,353
	1,039,287	975,977
Supplies:		
Medical and surgical	168,846	159,361
Drug and medical gases	64,160	60,651
Diagnostic	30,933	28,458
Laundry and linen	15,482	14,492
Food and dietary	14,488	13,928
Printing, stationery and office	6,717	6,541
Housekeeping	5,877	4,996
Other	20,782	20,627
	327,285	309,054
Equipment and building services:		
Equipment	82,180	64,340
Rent	34,234	33,323
Plant operation (utilities)	17,400	19,230
Building and ground service contracts	11,234	10,979
Other	9,172	8,814
	154,220	136,686
Amortization of tangible capital assets	109,433	110,303
Sundry:		
Patient transport	14,909	13,863
Communication and data processing	10,557	9,134
Professional fees	8,987	11,567
Travel	8,894	8,172
Other	50,102	33,822
	93,449	76,558
Interest	46,641	47,227
	\$ 4,089,438	\$ 3,814,993



# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 13. Supplementary cash flow information:

Net change in non-cash operating items:

	2020	2019
Accounts receivable	\$ 14,825	\$ (58,374)
Accounts payable and accrued liabilities	48,948	40,686
Deferred operating contributions	6,465	(1,104)
Prepaid expenses	2,993	(945)
Inventories held for use	(286)	(227)
	\$ 72,945	\$ (19,964)

## 14. Related parties:

Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated. The following are identified related parties:

(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.

The health authorities and hospital societies 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 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 consolidated financial statements approximate fair value.

(b) Key management personnel:

The Authority has deemed the Board of Directors and Senior Executive Team, and their close family members or entities controlled by them to be key management personnel.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
(Amounts expressed in thousands of dollars)

Year ended March 31, 2020

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## 15. 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 cash and cash equivalents and accounts receivable. The risk exposure is limited to their varying amounts at the date of the consolidated statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution.

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 uncollectable amounts. As at March 31, 2020, the amount of allowance for doubtful accounts was \$15.8 million (2019 - \$9.8 million).

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.

### (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.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 15. Risk management (continued):

### (b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature:

2020 Financial assets	Up to 1 year	1 to 5 years	Over 5 Years
Cash and cash equivalents	\$ 353,092	\$ -	\$ -
Accounts receivable	175,142	-	-
<b>Total financial assets</b>	<b>\$ 528,234</b>	<b>\$ -</b>	<b>\$ -</b>

2020 Liabilities	Up to 1 year	1 to 5 years	Over 5 Years
Accounts payable and accrued liabilities	\$ 423,302	\$ -	\$ -
Debt	11,921	58,099	546,682
<b>Total liabilities</b>	<b>\$ 435,223</b>	<b>\$ 58,099</b>	<b>\$ 546,682</b>

2019 Financial assets	Up to 1 year	1 to 5 years	Over 5 Years
Cash and cash equivalents	\$ 321,484	\$ -	\$ -
Accounts receivable	189,967	-	-
<b>Total financial assets</b>	<b>\$ 511,451</b>	<b>\$ -</b>	<b>\$ -</b>

2019 Liabilities	Up to 1 year	1 to 5 years	Over 5 Years
Accounts payable and accrued liabilities	\$ 374,354	\$ -	\$ -
Debt	10,966	53,333	563,368
<b>Total liabilities</b>	<b>\$ 385,320</b>	<b>\$ 53,333</b>	<b>\$ 563,368</b>

Debt pertaining to P3 projects is funded through the ongoing annual operating grants received from the Ministry.

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

## 15. 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:

	2020	2019
US dollar per Canadian dollar	\$ 0.705	\$ 0.748

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.

## 16. Government partnership

As described in Note 1, the Authority has an 85% interest in ARHCC Inc., which is recorded on a proportional consolidation basis in the Authority's consolidated financial statements. The following is the condensed supplementary financial information of ARHCC Inc. for the year ended March 31, 2020.

	2020	2019
Financial assets	\$ 158,573	\$ 154,993
Liabilities	420,489	426,540
Net debt	261,916	271,546
Non-financial assets	264,495	274,127
Accumulated surplus	2,579	2,579
Revenues	60,958	62,446
Expenses	60,958	62,446

# FRASER HEALTH AUTHORITY

Notes to Consolidated Financial Statements  
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Year ended March 31, 2020

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## **17. Significant event**

In March 2020, the World Health Organization declared a global pandemic related to the disease known as COVID-19 for which the impacts are expected to be far reaching. The health authorities in BC are continuing to respond to COVID-19 by creating capacity in the system to handle the crisis. The potential impacts to the Authority for 2020/21 are being assessed, but the nature and amount is still to be determined.