

Fraser Valley Regional Hospital District

2020 Consolidated Financial Statements

Year Ended December 31, 2020

Fraser Valley Regional Hospital District

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**Fraser Valley Regional Hospital District
Management's Responsibility for Financial Reporting**

For the year ended December 31st, 2020

The financial Statements have been prepared by management in accordance with Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

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

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Board. The Board reviews the external financial statements on an annual basis.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Regional Hospital District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to financial management of the Regional Hospital District and meet when required.

On behalf of the Fraser Valley Regional Hospital District



Kelly Lownsbrough, CPA, CMA
Director of Financial Services/Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional Hospital District

Opinion

We have audited the accompanying consolidated financial statements of Fraser Valley Regional Hospital District (the "District") which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statements of operations and deficit for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2020, and its consolidated results of operations and deficit, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Chilliwack, Canada
May 27, 2021

**Fraser Valley Regional Hospital District
Consolidated Statement of Financial Position**

For the year ended December 31 **2020** 2019

Financial Assets

Cash and Cash Equivalents (Note 1)	\$	15,264,918	\$	2,678,200
Accounts Receivable (Note 2)		64,466		62,219
MFA Debt Reserve Cash (Note 3)		861,041		879,611
Accrued Interest		277,056		377,637
Investments (Note 4)		22,572,888		34,192,493
Prepays		154		-
		39,040,523		38,190,160

Financial Liabilities

Accounts Payable (Note 5)		24,432		154,048
Debenture Debt (Note 6)		26,770,093		31,668,053
		26,794,525		31,822,101

Net Financial Assets	\$	12,245,997	\$	6,368,059
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Non-financial Assets

Tangible Capital Assets (Note 8)		5,908,507		1,525,390
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Accumulated Surplus	\$	18,154,504	\$	7,893,449
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Impact of COVID-19 (Note 7)



Chief Financial Officer

**Fraser Valley Regional Hospital District
Consolidated Statement of Operations and Deficit**

For the year ended December 31	Budget 2020	Actual 2020	Actual 2019
Revenues			
Requisition from members and participants	\$ 11,718,000	\$ 11,718,000	\$ 11,488,200
Investment income	660,000	615,187	770,680
Grants in place of taxes	140,000	131,135	129,358
Miscellaneous revenue	65,000	126,517	46,782
Interest on MFA cash reserve	-	17,985	20,022
Total Revenue	12,583,000	12,608,823	12,455,042
Expenses:			
Transfer to Fraser Health Authority	11,800,000	1,821,000	1,802,000
Interest on long term debt	1,402,550	53,476	505,990
Administration charge	400,000	400,000	400,000
Operating expenses	20,000	58,381	147,492
Amortization	-	14,912	14,912
Total Expenses	13,622,550	2,347,769	2,870,394
Annual Surplus (Deficit)	\$ (1,039,550)	\$ 10,261,055	\$ 9,584,648
Accumulated Surplus, (Deficit), beginning of year	\$ 7,893,449	\$ 7,893,449	\$ (1,691,199)
Accumulated Surplus, end of year	\$ 6,853,899	\$ 18,154,504	\$ 7,893,449

Fraser Valley Regional District Hospital
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31	2020	2019
Annual Surplus	\$ 10,261,055	\$ 9,584,648
Acquisition of tangible capital assets	(4,398,028)	(57,971)
Amortization of tangible capital assets	14,912	14,912
Change in net financial assets	5,877,938	9,541,589
Net financial assets (debt), beginning of year	\$ 6,368,059	\$ (3,173,530)
Net Financial Assets, end of year	\$ 12,245,997	\$ 6,368,059

Represented by:

Current Fund (Note 9)	605,730	531,134
Reserve Funds (Note 10)	38,415,926	37,629,978
Amount to be recovered from future requisitions	(26,775,659)	(31,793,053)
	\$ 12,245,997	\$ 6,368,059

**Fraser Valley Regional District Hospital
Consolidated Statement of Cash Flows**

For the year ended December 31	2020	2019
Operations		
Annual Surplus	\$ 10,261,055	\$ 9,584,648
Items not involving cash		
Amortization of tangible capital assets	14,912	14,912
Change in non-cash operating items		
Accounts receivable and accrued interest	116,904	(199,261)
Prepays	(154)	
Accounts payable	(129,616)	36,825
Accrued interest payable	-	(50,132)
	<u>10,263,101</u>	<u>9,386,992</u>
Capital activities:		
Acquisition of tangible capital assets	(4,398,028)	(57,971)
	<u>(4,398,028)</u>	<u>(57,971)</u>
Financing		
Debt principal payments	(4,897,960)	(3,131,462)
	<u>(4,897,960)</u>	<u>(3,131,462)</u>
Investing		
Decrease/Increase in portfolio investments	11,619,605	(6,937,613)
	<u>11,619,605</u>	<u>(6,937,613)</u>
Increase/(Decrease) in cash during the year	12,586,718	(740,054)
Cash and cash equivalents, beginning of year	2,678,200	3,418,254
Cash and cash equivalents, end of year	\$ 15,264,918	\$ 2,678,200

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2020

The Fraser Valley Regional Hospital District (“Hospital District”) is a governing agency for the hospitals in the Fraser Valley region and is incorporated under the Hospital District Act. The Hospital District covers hospitals located in Hope, Chilliwack, Abbotsford, and Mission. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Fraser Valley Regional District.

Basis of Presentation	The Hospital District financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. All material inter-fund transactions have been eliminated.
Revenue and Expenditure Recognition	Accounting for all funds is done on the full accrual basis.
Investments	Investments are portfolio investments recorded at cost plus accrued interest, less any provisions for other than temporary impairment.
Use of Estimates	The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and at the date of the financial statements, and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.
Administration Costs	Pursuant to Hospital District Bylaw 0073,2019 and Section 17(2) of the Hospital District Act, administration fees of \$400,000 (2019 - \$400,000) were paid by the Hospital District to the Fraser Valley Regional District.
Financial instruments	Financial instruments consist of cash, cash equivalents, accounts receivable, investments, accounts payable, accrued liabilities and other current liabilities. The Hospital District classifies its cash and cash equivalents as held-for-trading, accounts receivable as held to maturity and its accounts payable and other current liabilities as other financial liabilities. The Hospital District does not currently have any derivative instruments requiring recording on the statement of financial position. The fair values of the Hospital District's financial instruments approximate their carrying value unless otherwise noted. It is management's opinion that the Hospital District is not exposed to significant interest, currency or credit risk relating to its financial instruments.

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2020

Non-Financial Assets

Non-financial assets are not available to discharge existing liability and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Parking Lot	20

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2020

1 Cash and Cash Equivalents

On occasion the Hospital District will utilize Broker's Banks (high-interest savings accounts) and Cashable Term Deposits for short term or temporary investments.

	<u>2020</u>	<u>2019</u>
Cash	\$ 15,264,918	\$ 1,670,902
Cashable Term Deposit	-	1,007,298
	<u>\$ 15,264,918</u>	<u>\$ 2,678,200</u>

2 Accounts Receivable

	<u>2020</u>	<u>2019</u>
Federal/Provincial Government	\$ 7,545	\$ 7,626
Goods & Services Tax Rebates	\$ 2,201	\$ 964
Miscellaneous Accounts Receivable	\$ 49,924	\$ 3,629
Due from Fraser Valley Regional District	\$ 4,796	\$ -
Deposits in Trust	\$ -	\$ 50,000
	<u>\$ 64,466</u>	<u>\$ 62,219</u>

3 Municipal Finance Authority Debt Reserve

The Fraser Valley Regional Hospital District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, the Regional Hospital District has established a fund equal to one half the annual instalment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal. The proceeds are withheld by the Municipal Finance Authority as a debt reserve fund.

The demand notes are contingent in nature and are not reflected in the accounts. The details of the cash deposits and demand notes at year end are as follows:

	<u>2020</u>	<u>2019</u>
Cash Deposits	\$ 861,041	\$ 879,611
Demand Notes	1,721,541	1,791,503
	<u>\$ 2,582,582</u>	<u>\$ 2,671,114</u>

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2020

4 Investments

	Amount	Effective Interest rate	Maturity Date
Blueshore CU GIC	874,000	2.60%	April 23, 2021
Scotia Bank GIC	416,506	2.40%	April 23, 2021
Coast Capital Savings GIC	1,600,000	2.35%	August 9, 2021
Scotia Bank GIC	2,300,000	2.26%	August 9, 2021
Bank of Montreal Deposit Note	4,104,000	2.20%	January 31, 2022
Coast Capital Savings GIC	3,400,000	1.30%	August 10, 2022
Bank of Montreal Ext Stp	900,000		November 6, 2021
Bank of Montreal Ext Stp	3,980,000		December 30, 2030
Royal Bank GIC	1,000,000	0.76%	June 22, 2022
Scotia Bank GIC	1,000,000	0.82%	December 22, 2022
Envision	3,000,000	0.40%	January 30, 2021
Discount on purchase of deposit note	<u>(1,618)</u>		
	<u>\$ 22,572,888</u>		

Investments at December 31st, 2020 have a total carrying value of \$22,738,382 (2019 - \$34,539,789), consisting of investments of \$22,572,888 (2019 - \$34,192,493) and related accrued interest of \$165,494 (2019 - \$347,296). The market value of these investments at December 31st, 2020 is \$22,716,400 (2019 - \$34,590,924).

5 Accounts Payable

Payments to Fraser Health occur through the Fraser Valley Regional District with funds transferred between the Hospital District and the Regional District following the transaction. In addition, as a result of the land purchase at 9005 Mary St., the Hospital District assumed a Tenant Deposit connected to possible future development of the property.

	2020	2019
Due to Fraser Valley Regional District	\$ -	\$ 15,267
Tenant Deposit	13,781	13,781
Due to City of Chilliwack	-	125,000
Miscellaneous Accounts Payable	10,651	-
	<u>\$ 24,432</u>	<u>\$ 154,048</u>

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2020

6 Debenture Debt

The Fraser Valley Regional Hospital debenture debt is borrowed through the Municipal Finance Authority and is administered by the Municipal Finance Authority. Hospital debenture debt is as follows:

	2020	2019
Debentures, fixed interest at 1.75% to 4.50% due in various years through 2030.	\$ 58,725,070	\$ 61,475,070
Less sinking fund reserve	(31,954,977)	(29,807,017)
	\$ 26,770,093	\$ 31,668,053

Sinking fund instalments and interest for the next five years for debentures outstanding at December 31st, 2020 are as follows:

	Sinking Fund	Actuarial Adjustment	Total
2021	\$ 1,987,991	\$ 1,268,119	\$ 3,256,110
2022	1,987,991	1,397,092	3,385,083
2023	1,987,991	1,531,179	3,519,170
2024	1,987,991	1,670,583	3,658,574
2025	1,987,991	1,815,516	3,803,507
2026 and beyond	4,619,137	4,528,514	9,147,649
	\$ 14,559,090	\$ 12,211,003	\$ 26,770,093

7 Impact of COVID-19

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Regional Hospital District's business is not practicable at this time.

Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements

For the year ended December 31st, 2020

8 Tangible Capital Assets

Cost	Balance at December 31, 2019	Additions	Transfers and Disposals	Balance at December 31, 2020
Land	\$ 1,200,814	\$ 4,385,187	\$ -	\$ 5,586,001
Land Improvements	298,230	-	-	298,230
Assets under Constr.	71,081	12,841		83,922
Total	\$ 1,570,125	\$ 4,398,028	\$ -	\$ 5,968,153

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Land Improvements	\$ 44,735	\$ -	\$ 14,912	\$ 59,646
Total	\$ 44,735	\$ -	\$ 14,912	\$ 59,646

	Net book value December 31, 2019	Net book value December 31, 2020
Land	\$ 1,200,814	\$ 5,586,001
Land Improvements	253,495	238,584
Assets under Constr.	71,081	83,922
Total	\$ 1,525,390	\$ 5,908,507

Assets under Construction

Assets under construction having a value of \$83,922 (2019 - \$71,081) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements**

For the year ended December 31st, 2020

9 Restricted Assets

The Regional Hospital District has restrictions on the cash and investments available for operational use as follows:

	2020	2019
Cash and Cash Equivalents	\$ 15,264,917	\$ 2,678,200
Investments	22,572,888	34,192,493
Accrued Interest Receivable	277,056	377,637
Accounts Receivable	64,466	62,219
MFA Debt Reserve Cash receivable	861,041	879,611
	39,040,369	38,190,160
Less restrictions for reserve fund	(38,415,926)	(37,504,978)
Owing to Tenant Deposit	(13,781)	(13,781)
Owing from (to) Fraser Valley Regional District	4,796	(15,267)
Owing to City of Chilliwack	-	(125,000)
Owing to Miscellaneous Accounts Payable	-	-
Funds available for operational use	\$605,730	\$ 531,134

10 Reserve Funds

The Regional Hospital District is empowered under Section 20(2) of the Hospital Act to assess a special levy. Funds raised for this purpose are intended to be used for financing minor and other capital costs not necessarily provided for under approved capital financing projects. Funds raised under this section and not expended at year end are carried forward to be expended in succeeding years.

The total balance in the amount has been allocated as follows:

	2020	2019
Appropriated		
Early Debt Retirement	\$ 1,164,642	\$ 1,413,600
Minor/Medium Equipment	2,225,994	2,246,994
Major Capital Projects	35,025,291	33,969,384
	\$ 38,415,926	\$ 37,629,978

FRASER VALLEY REGIONAL HOSPITAL DISTRICT

Schedule of Debenture Debt

Year ended December 31, 2020

Regional District By-law No.	MFA Issuing By-law No.	TERM (years)	Year of Maturity	Original Issue	Outstanding Balance December 31, 2019	New Debt in 2019	Annual Debt Charges			Balance at December 31, 2020
							Interest	Principal	Actuarial Earnings	
21	99	20	2027	26,768,448	11,822,063	-	468,448	898,931	597,856	10,325,276
21	102	20	2027	12,206,623	6,047,248	-	274,649	409,920	246,375	5,390,953
42	105	20	2029	4,750,000	2,834,866	-	106,875	159,513	76,605	2,598,748
42	106	20	2029	10,000,000	5,968,139	-	225,000	335,818	161,274	5,471,047
42	110	20	2030	5,000,000	3,223,056	-	144,500	167,909	71,078	2,984,069
				<u>\$ 58,725,071</u>	<u>\$ 29,895,372</u>	<u>\$ -</u>	<u>\$ 1,219,472</u>	<u>\$ 1,972,091</u>	<u>\$ 1,153,188</u>	<u>\$ 26,770,093</u>