

Fraser Valley Regional Hospital District

2021 Consolidated Financial Statements Year Ended
December 31, 2021

Fraser Valley Regional Hospital District

Table of Contents

For the year ended December 31, 2021

Management's Responsibility for Financial Reporting Independent	2
Auditors' Report	3
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations and Accumulated Surplus	7
Consolidated Statement of Changes in Net Assets	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements Supplementary	10
Information - Schedule of Debenture Debt	

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

For the year ended December 31st, 2021

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

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



KPMG LLP
Suite 200 - 9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Telephone (604) 793-4700
Fax (604) 793-4747

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, 2021
- the consolidated statements of operations and surplus 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, 2021, 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 26, 2022

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

For the year ended December 31 **2021** **2020**

Financial Assets

Cash and Cash Equivalents (Note 1)	\$	20,164,670	\$	15,264,918
Accounts Receivable (Note 2)		103,706		64,466
MFA Debt Reserve Cash (Note 3)		875,686		861,041
Accrued Interest		305,100		277,056
Investments (Note 4)		22,308,094		22,572,888
Prepays		-		154
		43,757,256		39,040,523

Financial Liabilities

Accounts Payable (Note 5)		422,512		24,432
Debenture Debt (Note 6)		23,513,984		26,770,093
		23,936,495		26,794,525

Net Financial Assets	\$	19,820,761	\$	12,245,997
-----------------------------	----	-------------------	----	------------

Non-financial Assets

Tangible Capital Assets (Note 8)		5,919,826		5,908,507
----------------------------------	--	------------------	--	------------------

Accumulated Surplus	\$	25,740,586	\$	18,154,504
----------------------------	----	-------------------	----	------------

Impact of COVID-19 (Note 7)

Commitments (Note 11)

Kelly Lownsbrough

Chief Financial Officer

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

For the year ended December 31	Budget 2021	Actual 2021	Actual 2020
Revenues			
Requisition from members and participants	\$ 11,952,400	\$ 11,952,401	\$ 11,718,000
Investment income	665,700	358,979	615,187
Grants in place of taxes	130,000	133,562	131,135
Miscellaneous revenue	66,300	131,690	126,517
Interest on MFA cash reserve	-	14,646	17,985
Total Revenue	12,814,400	12,591,279	12,608,823
Expenses:			
Transfer to Fraser Health Authority	10,685,000	4,710,000	1,821,000
Interest on long term debt (actuarial gain)	1,138,975	(172,289)	53,476
Administration charge	400,000	410,000	400,000
Operating expenses	22,500	42,574	58,381
Amortization	-	14,912	14,912
Total Expenses	12,246,475	5,005,197	2,347,769
Annual Surplus	\$ 567,925	\$ 7,586,082	\$ 10,261,055
Accumulated Surplus, beginning of year	\$ 18,154,504	\$ 18,154,504	\$ 7,893,449
Accumulated Surplus, end of year	\$ 18,722,429	\$ 25,740,586	\$ 18,154,504

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

For the year ended December 31	2021	2020
Annual Surplus	\$ 7,586,082	\$ 10,261,055
Acquisition of tangible capital assets	(26,230)	(4,398,028)
Amortization of tangible capital assets	14,912	14,912
Change in net financial assets	7,574,764	5,877,938
Net financial assets, beginning of year	\$ 12,245,997	\$ 6,368,059
Net Financial Assets, end of year	\$ 19,820,761	\$ 12,245,997

Represented by:

Current Fund (Note 9)	692,451	605,730
Reserve Funds (Note 10)	42,642,293	38,415,926
Amount to be recovered from future requisitions	(23,513,983)	(26,775,659)
	\$ 19,820,761	\$ 12,245,997

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

For the year ended December 31	2021	2020
Operations		
Annual Surplus	\$ 7,586,082	\$ 10,261,055
Items not involving cash		
Amortization of tangible capital assets	14,912	14,912
Change in non-cash operating items		
Accounts receivable and accrued interest	(81,931)	116,904
Prepays	154	(154)
Accounts payable	398,080	(129,616)
	7,917,297	10,263,101
Capital activities:		
Acquisition of tangible capital assets	(26,230)	(4,398,028)
	(26,230)	(4,398,028)
Financing		
Debt principal payments	(3,256,110)	(4,897,960)
	(3,256,110)	(4,897,960)
Investing		
Decrease/(Increase) in portfolio investments	264,795	11,619,605
	264,795	11,619,605
Increase/(Decrease) in cash during the year	4,899,752	12,586,718
Cash and cash equivalents, beginning of year	15,264,918	2,678,200
Cash and cash equivalents, end of year	\$ 20,164,670	\$ 15,264,918

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2021

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 0077,2021 and Section 17(2) of the Hospital District Act, administration fees of \$410,000 (2020 - \$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, 2021

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, 2021

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>2021</u>	<u>2020</u>
Cash	\$ 20,164,670	\$ 15,264,918
	<u>\$ 20,164,670</u>	<u>\$ 15,264,918</u>

2 Accounts Receivable

	<u>2021</u>	<u>2020</u>
Provincial/Municipal Government	\$ 102,957	\$ 7,545
Goods & Services Tax Rebates	\$ 749	\$ 2,201
Miscellaneous Accounts Receivable	\$ -	\$ 49,924
Due from Fraser Valley Regional District	\$ -	\$ 4,796
	<u>\$ 103,706</u>	<u>\$ 64,466</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>2021</u>	<u>2020</u>
Cash Deposits	\$ 875,686	\$ 861,041
Demand Notes	1,721,541	1,721,541
	<u>\$ 2,597,227</u>	<u>\$ 2,582,582</u>

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

For the year ended December 31st, 2021

4 Investments

	Amount	Effective Interest rate	Maturity Date
Canadian Western Bank GIC	1,323,226	0.9%	April 25, 2022
Blueshore CU GIC	2,000,000	1.05%	May 30, 2022
Blueshore CU GIC	1,500,000	1.10%	November 28, 2022
Coast Capital Savings GIC	1,600,000	1.15%	February 9, 2023
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
Blueshore CU GIC	1,500,000	1.15%	May 29, 2023
Bank of Montreal Ext Stp	4,000,000		December 30, 2030
Bank of Montreal Stp	900,000		November 6, 2028
Royal Bank of Canada GIC	1,000,000	0.76%	June 22, 2022
Scotia Bank GIC	1,000,000	0.82%	December 22, 2022
Discount on purchase of deposit note	(19,132)		
	<u>\$ 22,308,094</u>		

Investments at December 31st, 2021 have a total carrying value of \$22,458,444 (2020 - \$22,738,382), consisting of investments of \$22,308,094 (2020 - \$22,572,888) and related accrued interest of \$150,396 (2020 - \$165,494). The market value of these investments at December 31st, 2021 is \$24,542,443 (2020 - \$22,716,400).

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.

	2021	2020
Due to Fraser Valley Regional District	\$ 390,351	\$ -
Tenant Deposit	13,781	13,781
Trades Payable	18,380	-
Miscellaneous Accounts Payable	-	10,651
	<u>\$ 422,512</u>	<u>\$ 24,432</u>

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

For the year ended December 31st, 2021

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:

	<u>2021</u>	<u>2020</u>
Debentures, fixed interest at 1.75% to 4.50% due in various years through 2030.	\$ 58,725,070	\$ 58,725,070
Less sinking fund reserve	(35,211,087)	(31,954,977)
	<u>\$ 23,513,984</u>	<u>\$ 26,770,093</u>

Sinking fund instalments and interest for the next five years for debentures outstanding at December 31st, 2021 are as follows:

	Sinking Fund	Actuarial Adjustment	Total
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	1,987,991	1,966,197	3,954,188
2027 and beyond	2,631,147	2,562,317	5,193,464
	<u>\$ 12,571,102</u>	<u>\$ 10,942,884</u>	<u>\$ 23,513,986</u>

7 Impact of COVID-19

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation has been dynamic and the pandemic continued throughout 2021. The Regional District was in receipt of Provincial Safe Restart Funds intended to assist local governments' response to the pandemic and a portion of the Restart funds were allocated to the Hospital District.

Fraser Valley Regional Hospital District
Notes to Consolidated Financial Statements

For the year ended December 31st, 2021

8 Tangible Capital Assets

Cost	Balance at December 31, 2020	Additions	Transfers and Disposals	Balance at December 31, 2021
Land	\$ 5,586,001	\$ -	\$ -	\$ 5,586,001
Land Improvements	298,230	-	-	298,230
Assets under Constr.	83,922	26,230		110,152
Total	\$ 5,968,153	\$ 26,230	\$ -	\$ 5,994,383

Accumulated Amortization	Balance at December 31, 2020	Disposals	Amortization expense	Balance at December 31, 2021
Land Improvements	\$ 59,646	\$ -	\$ 14,912	\$ 74,558
Total	\$ 59,646	\$ -	\$ 14,912	\$ 74,558

	Net book value December 31, 2020	Net book value December 31, 2021
Land	\$ 5,586,001	\$ 5,586,001
Land Improvements	238,584	223,673
Assets under Constr.	83,922	110,152
Total	\$ 5,908,507	\$ 5,919,826

Assets under Construction

Assets under construction having a value of \$110,152 (2020 - \$83,922) 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, 2021

9 Restricted Assets

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

	2021	2020
Cash and Cash Equivalents	\$ 20,164,670	\$ 15,264,917
Investments	22,308,094	22,572,888
Accrued Interest Receivable	305,100	277,056
Accounts Receivable	103,706	64,466
MFA Debt Reserve Cash receivable	875,686	861,041
	43,757,256	39,040,369
Less restrictions for reserve fund	(42,642,293)	(38,415,926)
Trades Payable	(18,380)	-
Owing from (to) Fraser Valley Regional District	(390,351)	4,796
Owing to Tenant Deposit	(13,781)	(13,781)
Funds available for operational use	\$ 692,451	\$ 605,730

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:

	2021	2020
Appropriated		
Early Debt Retirement	\$ 2,748,115	\$ 1,164,642
Minor/Medium Equipment	215,994	2,225,994
Major Capital Projects	39,678,184	35,025,291
	\$ 42,642,293	\$ 38,415,926

11 Contractual Obligation

The Regional Hospital District has entered into a commitment for funding to the Fraser Health Authority in the amount of \$66.2M in capital funding for various long term projects. The Regional Hospital District will fund these commitments from land, investments, future member requisitions and, borrowings.

Schedule of Debenture Debt

**FRASER VALLEY REGIONAL HOSPITAL DISTRICT
DEBT SERVICING SCHEDULE - 2021
Year ended December 31, 2021**

MFA Issue No.	RHD Bylaw No.	Term (years)	Year of Maturity	Original Issue	Outstanding Balance		Annual Debt Charges			Balance at December 31, 2021	
					December 31, 2020	New Debt 2021	Principal	Interest	Actuarial Earnings		
99	21	20	2027	26,768,448	10,325,276	-	898,931	468,448	657,727	8,768,618	
102	21	20	2027	12,206,623	5,390,953	-	409,920	274,649	272,627	4,708,406	
105	42	20	2029	4,750,000	2,598,748	-	159,513	106,875	86,050	2,353,185	
106	42	20	2029	10,000,000	5,471,047	-	335,818	225,000	181,158	4,954,071	
110	42	20	2030	5,000,000	2,984,069	-	183,809	64,000	70,558	2,729,704	
					<u>\$58,725,071</u>	<u>\$26,770,093</u>	<u>\$0</u>	<u>\$1,987,991</u>	<u>\$1,138,972</u>	<u>\$1,268,119</u>	<u>\$23,513,984</u>