

Fraser Valley Regional Hospital District

Consolidated Financial Statements Year

Ended December 31, 2022

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

For the year ended December 31st, 2022

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 Corporate 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, 2022
- 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, 2022, 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
April 27, 2023

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

For the year ended December 31 **2022** 2021

Financial Assets			
Cash and Cash Equivalents (Note 1)	\$	29,652,557	\$ 20,164,670
Accounts Receivable (Note 2)		96,021	103,706
MFA Debt Reserve Cash (Note 3)		895,245	875,686
Accrued Interest		399,688	305,100
Investments (Note 4)		20,525,497	22,308,094
		51,569,008	43,757,256

Financial Liabilities			
Accounts Payable (Note 5)		142,180	422,512
Debenture Debt (Note 6)		20,128,901	23,513,984
		20,271,081	23,936,495

Net Financial Assets	\$	31,297,927	\$ 19,820,761
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Non-financial Assets			
Tangible Capital Assets (Note 7)		5,904,914	5,919,826

Accumulated Surplus	\$	37,202,841	\$ 25,740,586
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Commitments (Note 10)

Chief Financial Officer

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

For the year ended December 31	Budget 2022	Actual 2022	Actual 2021
Revenues			
Requisition from members and participants	\$ 12,191,400	\$ 12,190,786	\$ 11,952,401
Investment income	665,145	1,077,297	358,979
Grants in place of taxes	130,000	128,757	133,562
Miscellaneous revenue	38,527	49,614	131,690
Interest on MFA cash reserve	-	19,559	14,646
Total Revenue	13,025,072	13,466,013	12,591,279
Expenses:			
Transfer to Fraser Health Authority	1,800,000	1,800,000	4,710,000
Interest on long term debt (actuarial gain)	1,138,975	(329,669)	(172,289)
Administration charge	472,000	472,000	410,000
Operating expenses	104,995	46,515	42,574
Amortization	-	14,912	14,912
Total Expenses	3,515,970	2,003,758	5,005,197
Annual Surplus	\$ 9,509,102	\$ 11,462,255	\$ 7,586,082
Accumulated Surplus, beginning of year	\$ 25,740,586	\$ 25,740,586	\$ 18,154,504
Accumulated Surplus, end of year	\$ 35,249,688	\$ 37,202,841	\$ 25,740,586

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

For the year ended December 31	2022	2021
Annual Surplus	\$ 11,462,255	\$ 7,586,082
Acquisition of tangible capital assets	-	(26,230)
Amortization of tangible capital assets	14,911	14,912
Change in net financial assets	11,477,166	7,574,764
Net financial assets, beginning of year	\$ 19,820,761	\$ 12,245,997
Net Financial Assets, end of year	\$ 31,297,927	\$ 19,820,761

Represented by:

Current Fund (Note 8)	747,764	692,451
Reserve Funds (Note 9)	50,679,154	42,642,293
Amount to be recovered from future requisitions	(20,128,991)	(23,513,983)
	\$ 31,297,927	\$ 19,820,761

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

For the year ended December 31	2022	2021
Operations		
Annual Surplus	\$ 11,462,255	\$ 7,586,082
Items not involving cash		
Amortization of tangible capital assets	14,911	14,912
Change in non-cash operating items		
Accounts receivable and accrued interest	(106,462)	(81,931)
Prepays	-	154
Accounts payable	(280,332)	398,080
	11,090,373	7,917,297
Capital activities:		
Acquisition of tangible capital assets	-	(26,230)
	-	(26,230)
Financing		
Debt principal payments	(3,385,083)	(3,256,110)
	(3,385,083)	(3,256,110)
Investing		
Decrease in portfolio investments	1,782,598	264,795
	1,782,598	264,795
Increase in cash during the year	9,487,888	4,899,752
Cash and cash equivalents, beginning of year	20,164,670	15,264,918
Cash and cash equivalents, end of year	\$ 29,652,557	\$ 20,164,670

Fraser Valley Regional Hospital District Notes to Consolidated Financial Statements

For the year ended December 31st, 2022

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 0079,2022 and Section 17(2) of the Hospital District Act, administration fees of \$472,000 (2021 - \$410,000) 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, 2022

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, 2022

1 Cash and Cash Equivalents

Cash and cash equivalents include cash as well as deposits in a high-interest savings account. The Hospital District will utilize Cashable Deposits for short term or temporary investments as they are highly liquid and readily convertible to known amounts of cash.

	<u>2022</u>	<u>2021</u>
Cash	\$ 29,652,557	\$ 20,164,670
	<u>\$ 29,652,557</u>	<u>\$ 20,164,670</u>

2 Accounts Receivable

	<u>2022</u>	<u>2021</u>
Provincial/Municipal Government	\$ 95,914	\$ 102,957
Goods & Services Tax Rebates	\$ 107	\$ 749
	<u>\$ 96,021</u>	<u>\$ 103,706</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>2022</u>	<u>2021</u>
Cash Deposits	\$ 895,245	\$ 875,686
Demand Notes	1,721,541	1,721,541
	<u>\$ 2,616,786</u>	<u>\$ 2,582,582</u>

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

For the year ended December 31st, 2022

4 Investments

	Amount	Effective Interest rate	Maturity Date
Coast Capital Savings GIC	1,600,000	1.15%	February 9, 2023
Coast Capital Savings GIC	1,335,200	3.25%	April 25, 2023
Coast Capital Savings GIC	3,400,000	4.60%	May 8, 2023
Blueshore CU GIC	1,500,000	1.15%	May 29, 2023
Royal Bank of Canada GIC	2,300,000	4.00%	July 4, 2023
Coast Capital Savings GIC	1,500,000	5.55%	November 29, 2023
Royal Bank of Canada GIC	2,000,000	3.80%	May 30, 2024
Scotia Bank GIC	1,000,000	5.20%	June 24, 2024
Bank of Montreal GIC	1,007,600	4.47%	June 24, 2024
Bank of Montreal Stp	900,000	1.25%	November 6, 2028
Bank of Montreal Ext Stp	4,000,000	1.55%	December 30, 2030
Discount on purchase of deposit note	(17,303)		
	\$ 20,525,497		

Investments at December 31st, 2022 have a total carrying value of \$20,757,823 (2020 - \$22,458,444), consisting of investments of \$20,525,497 (2021 - \$22,308,094) and related accrued interest of \$232,326 (2021 - \$150,396). The market value of these investments at December 31st, 2021 is \$19,782,793 (2021 - \$24,542,443).

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.

	2022	2021
Due to Fraser Valley Regional District	\$ 110,815	\$ 390,351
Tenant Deposit	13,781	13,781
Trades Payable	17,584	18,380
	\$ 142,180	\$ 422,512

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

For the year ended December 31st, 2022

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:

	2021	2021
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	(38,596,169)	(35,211,087)
	\$ 20,128,901	\$ 23,513,984

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
2023	2,036,445	1,490,139	3,526,584
2024	2,036,445	1,626,111	3,662,556
2025	2,036,445	1,767,345	3,803,790
2026	2,036,445	1,914,043	3,950,488
2027	1,137,514	995,680	2,133,194
2028 and beyond	1,542,087	1,510,202	3,052,289
	\$ 10,825,382	\$ 9,303,520	\$ 20,128,901

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

For the year ended December 31st, 2022

7 Tangible Capital Assets

	Balance at December 31,		Transfers and		Balance at December 31,
	2021	Additions	Disposals	2022	
Cost					
Land	\$ 5,586,001	\$ -	\$ -	\$ 5,586,001	
Land Improvements	298,230	-	-	298,230	
Assets under Constr.	110,152	-	-	110,152	
Total	\$ 5,994,383	\$ -	\$ -	\$ 5,994,383	

	Balance at December 31,		Amortization		Balance at December 31,
	2021	Disposals	expense	2022	
Amortization					
Land Improvements	\$ 74,558	\$ -	\$ 14,912	\$ 89,470	
Total	\$ 74,558	\$ -	\$ 14,912	\$ 89,470	

	Net book value December 31,		Net book value December 31,	
	2021		2022	
Land	\$ 5,586,001		\$ 5,586,001	
Land Improvements	223,673		208,761	
Assets under Constr.	110,152		110,152	
Total	\$ 5,919,826		\$ 5,904,914	

Assets under Construction

Assets under construction having a value of \$110,152 (2021 - \$110,152) 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, 2022

8 Restricted Assets

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

	2022	2021
Cash and Cash Equivalents	\$ 29,652,557	\$ 20,164,670
Investments	20,525,497	22,308,094
Accrued Interest Receivable	399,688	305,100
Accounts Receivable	96,021	103,706
MFA Debt Reserve Cash receivable	895,245	875,686
	51,569,008	43,757,256
Less restrictions for reserve fund	(50,679,154)	(42,642,293)
Trades Payable	(17,584)	(18,380)
Owing from (to) Fraser Valley Regional District	(110,815)	(390,351)
Owing to Tenant Deposit	(13,781)	(13,781)
Funds available for operational use	\$ 747,674	\$ 692,451

9 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:

	2022	2021
Appropriated		
Early Debt Retirement	\$ 4,056,265	\$ 2,748,115
Minor/Medium Equipment	215,994	215,994
Major Capital Projects	46,406,895	39,678,184
	\$ 50,679,154	\$ 42,642,293

10 Commitments

The Regional Hospital District has entered into a commitment for funding to the Fraser Health Authority in the amount of \$62.8M in capital funding for various long term projects. The Regional Hospital District will fund these commitments from land, investments, future member requisitions and, borrowings.

FRASER VALLEY REGIONAL HOSPITAL DISTRICT
Schedule of Debenture Debt
Year ended December 31, 2022

MFA Issue No.	RHD Bylaw No.	Term (years)	Year of Maturity	Original Issue	Outstanding Balance		Annual Debt Charges			Balance at December 31, 2022	
					December 31, 2021	New Debt 2022	Principal	Interest	Actuarial Earnings		
99	21	20	2027	26,768,448	8,768,618	-	898,931	409,557	719,993	7,149,693	
102	21	20	2027	12,206,623	4,708,406	-	409,920	274,649	299,929	3,998,558	
105	42	20	2029	4,750,000	2,353,185	-	159,513	106,875	95,873	2,097,798	
106	42	20	2029	10,000,000	4,954,071	-	335,818	225,000	201,837	4,416,417	
110	42	20	2030	5,000,000	2,729,704	-	183,809	64,000	79,460	2,466,434	
					<u>\$58,725,071</u>	<u>\$23,513,984</u>	<u>-</u>	<u>\$1,987,991</u>	<u>\$1,080,081</u>	<u>\$1,397,092</u>	<u>\$20,128,901</u>