

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2023

BOARD OF DIRECTORS

City of Duncan	M. Staples
Town of Ladysmith	A. Stone (Chair)
Town of Lake Cowichan	T. McGonigle
District of North Cowichan	R. Douglas
District of North Cowichan	C. Istace
District of North Cowichan	C. Justice
District of North Cowichan	D. Toporowski
Electoral Area "A" – Mill Bay/Malahat	A. Segall (Vice Chair)
Electoral Area "B" – Shawnigan Lake	S. Acton
Electoral Area "C" – Cobble Hill	M. Wilson
Electoral Area "D" – Cowichan Bay	H. Abbott
Electoral Area "E" – Cowichan Station/Sahtlam/Glenora	A. Nicholson
Electoral Area "F" – Cowichan Lake South/Skutz Falls	I. Morrison
Electoral Area "G" – Saltair/Gulf Island	J. McClinton
Electoral Area "H" – North Oyster/Diamond	B. Maartman
Electoral Area "I" – Youbou/Meade Creek	K. Deck

OFFICERS

Chief Administrative Officer -	D. Myles-Wilson
Corporate Legislative Officer -	P. Robins
Chief Financial Officer -	T. Bowen

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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FINANCIAL STATEMENTS

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Management's Responsibility for Financial Reporting

To the Members of the Board of the Cowichan Valley Regional Hospital District:

This statement is provided to clarify and outline the roles and responsibilities of the management team, elected Board of Directors and Independent Auditors in relation to the preparation and review of the Cowichan Valley Regional Hospital District's (the "Hospital District") annual financial results.

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Hospital District's Board of Directors is composed of Directors who are neither management nor employees of the Hospital District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information in the financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management.

KPMG LLP, an independent firm of Chartered Professional Accountants, is appointed by the Regional Hospital District's Board of Directors to audit the financial statements and report to them; their report follows. The external auditors have full and free access to management and the Board to discuss their audit findings.

Tracy Bowen, CPA, CGA, BComm
Chief Financial Officer

Danielle Myles-Wilson
Chief Administrative Officer

Independent Auditor's
Report

Insert following Board
Financial Statement Approval

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
Assets		
Cash & Cash Equivalents (Note 3)	\$ 15,163,841	\$ 66,255,818
Investments - Restricted (Note 4)	<u>22,072,028</u>	<u>21,352,314</u>
Total Assets	<u>37,235,869</u>	<u>87,608,132</u>
Liabilities		
Accrued Liabilities	1,690,786	385
Debt (Note 6)	<u>21,625</u>	<u>32,036</u>
Total Liabilities	<u>1,712,411</u>	<u>32,421</u>
Net Financial Assets and Accumulated Surplus	<u>\$ 35,523,458</u>	<u>\$ 87,575,711</u>

Tracy Bowen, CPA, CGA, BComm
Chief Financial Officer

Aaron Stone
Chair

The accompanying notes are an integral part of these financial statements.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS AND NET
FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Note 10)	2023	2022
Revenue			
Tax Requisition	\$ 13,292,786	\$ 13,292,786	\$ 12,664,197
Grants	-	6,716	2,512
Actuarial Gain on Debentures	-	-	47,903
Interest and Other Revenue	<u>280,000</u>	<u>2,991,203</u>	<u>1,870,141</u>
Total Revenue	<u>13,572,786</u>	<u>16,290,705</u>	<u>14,584,753</u>
Expenses			
Debenture Debt Interest	853,889	1,243	23,320
Administrative Expenses	60,000	60,521	60,025
Grants to Health Care Facilities	1,800,000	3,277,820	3,322,589
Major Projects Contribution (Note 8)	<u>5,323,950</u>	<u>65,003,374</u>	<u>33,778</u>
Total Expenses	<u>8,037,839</u>	<u>68,342,958</u>	<u>3,439,712</u>
Annual Surplus/(Deficit)	5,534,947	(52,052,253)	11,145,041
Accumulated Surplus - Beginning of Year	<u>87,575,711</u>	<u>87,575,711</u>	<u>76,430,670</u>
Accumulated Surplus - End of Year	<u>\$ 93,110,658</u>	<u>\$ 35,523,458</u>	<u>\$ 87,575,711</u>

The accompanying notes are an integral part of these financial statements.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Operating Transactions		
Annual Surplus/(Deficit)	\$ (52,052,253)	\$ 11,145,041
Change in accrued liabilities	1,690,401	(193,106)
Actuarial gain on debt	<u>-</u>	<u>(47,903)</u>
Increase in cash from operations	<u>(50,361,852)</u>	<u>10,904,032</u>
Investing Transactions		
Investments	<u>(719,714)</u>	<u>(409,138)</u>
Decrease in cash from investing	<u>(719,714)</u>	<u>(409,138)</u>
Financing Transactions		
Principal debt repayments	<u>(10,411)</u>	<u>(41,523)</u>
Decrease in cash from financing	<u>(10,411)</u>	<u>(41,523)</u>
Increase/(Decrease) in Cash & Cash Equivalents	(51,091,977)	10,453,371
Cash & Cash Equivalents - Beginning of Year	<u>66,255,818</u>	<u>55,802,447</u>
Cash & Cash Equivalents - End of Year	<u>\$ 15,163,841</u>	<u>\$ 66,255,818</u>

The accompanying notes are an integral part of these financial statements.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

1. Purpose

The Cowichan Valley Regional Hospital District (CVRHD) is incorporated under the British Columbia Hospital District Act. Its purpose is to secure and administer capital funding for hospitals within the Cowichan Valley Regional Hospital District. These activities are funded through property taxes and debenture debt.

2. Significant Accounting Policies

a) Basis of Presentation

The Financial Statements of the Cowichan Valley Regional Hospital District (CVRHD or Hospital District), are prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The Financial Statements reflect the combined results and activities of the reporting entity. The financial statements include the financial position, operations, changes in financial assets and cash flows of the CVRHD. Inter-fund transactions have been eliminated on consolidation.

b) Long-Term Debt

Long-term debt is recorded net of repayment and actuarial adjustments.

c) Cash and Cash Equivalent

Cash and cash equivalents include cash on hand and reserves. The funds are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Investments

Investments are comprised entirely of Municipal Finance Authority (MFA) pooled investment funds. The Hospital District funds invested with MFA are pooled with other local governments and managed independently by Phillips, Hager & North Ltd. These investments are recorded at cost. Interest income on investments has been allocated to restricted reserves.

e) Financial Instruments

The Hospital District's financial instruments consist of cash, investments, accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently recorded at cost or amortized cost unless the Hospital District elects to carry the financial instrument at fair value. The Hospital District does not hold any equity instruments or derivatives and has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses. They are recorded in the Statement of Operations when they are realized. There are no unrealized changes in fair value in the years presented; as a result, the Hospital District does not have a Statement of Remeasurement Gains and Losses.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

2. Significant Accounting Policies (cont'd)

e) **Financial Instruments (cont'd)**

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost are included in the cost and amortized on an effective interest basis.

f) **Revenue Recognition**

The Hospital District recognizes tax requisition revenue based on assessments issued to the property owners in its service area. These assessments are issued on an annual basis to meet the expenditures of the Hospital District. Interest revenue is recorded when earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

g) **Expense Recognition**

Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient. The grants to the Vancouver Island Health Care Facilities are considered government transfers. Major project contributions are recorded once CVRHD is legally obligated to make the expenditure and has no recourse.

h) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

3. Cash & Cash Equivalents

	2023	2022
Restricted Cash - invested in interest bearing savings accounts	\$ 1,216,037	\$60,446,919
Unrestricted Cash	<u>13,947,804</u>	<u>5,808,899</u>
Total Cash	<u>\$15,163,841</u>	<u>\$66,255,818</u>

4. Investments

Investments consist of MFA Money Market funds and MFA BC Fossil Fuel Free Bond funds. The MFA Money Market fund balance at December 31, 2023 is \$5,872,290 (2022 - \$5,589,667). The yield on the funds for 2023 was 5.07% (2022 - 1.93%). The BC Fossil Fuel Free bond fund balance at December 31, 2023 is \$16,199,738 (2022 - \$15,762,647). The yield on the funds for 2023 was 5.05% (2022 - -3.59%).

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. Land - Future Hospital Site

In 2020, the Hospital District purchased land for the site of the new hospital. The proposal has been agreed to by Vancouver Island Health Authority. The cost of the land, plus all costs incurred to hold onto the land until transferred, will comprise part of the CVRHD's 40% future funding commitment for the new hospital. This transfer was completed in 2021.

6. Debt

All debt is issued through the MFA of British Columbia. The Authority is the borrowing agent for municipalities and regional districts in the Province of British Columbia. Debt may only be repaid earlier than maturity where the MFA refinances an issue which includes a particular debenture debt issue by the Hospital District.

Issued and outstanding debt including issue numbers, maturity dates and sinking fund balances are listed below.

<u>Issue No.</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Regional Dist. Share</u>	<u>Debt Payments</u>	
					<u>Interest</u>	<u>Principal</u>
78	2.250%	2022	2,262,532	-	-	-
78	2.250%	2022	330,788	-	-	-
93	5.100%	2025	<u>435,523</u>	<u>174,209</u>	<u>1,368</u>	<u>10,411</u>
				<u>174,209</u>		
Less principal repayments and actuarial				<u>(152,584)</u>	<u>(125)</u>	
TOTAL			\$ <u>3,028,843</u>	\$ <u>21,625</u>	\$ <u>1,243</u>	\$ <u>10,411</u>
TOTAL DEBT PAYMENT						\$ <u>11,654</u>

Payments of principal on issued debt of the Hospital District for the next five years are approximately as follows:

2024	2025	2026	2027	2028	Total
\$ 10,676	\$ 10,949	\$ -	\$ -	\$ -	<u>\$ 21,625</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

7. Related Party Transactions

The Cowichan Valley Regional District (CVRD) is related to the Cowichan Valley Regional Hospital District (CVRHD) since the same individuals are members of the Board of Directors of both organizations.

During the year, management and administrative support services totaling \$60,000 (2022 - \$60,000) were charged to the CVRHD from the CVRD.

8. Major Projects Contribution

The Hospital District has entered into a Memorandum of Understanding with neighbouring hospital districts and Vancouver Island Health Authority to work collaboratively on coordinating their capital planning for the region. In connection with the Memorandum of Understanding, expenditures are incurred by the Hospital District towards major capital plans. These expenditures are being recorded as an expense for the Hospital District as no approved project is in place, therefore the future benefit is not certain at this time. If a major capital project is approved in the future, it is expected that any past costs incurred will be considered as part of the overall funding requirement.

During 2023 the Hospital District incurred no costs related to capital planning (2022 - \$0). Cumulative costs to date at December 31, 2023 are \$6,977,295 (2022 - \$6,977,295).

The major projects contribution costs of \$65,003,374 relates to the Hospice Bed Facility Project (2022 - \$33,778) and construction of New Cowichan District Hospital (2022 - \$0)

9. Debt Reserve Fund

The Municipal Finance Authority (MFA) of British Columbia provides capital financing for Regional Hospital Districts. The Authority is required to establish a Debt Reserve Fund into which each Regional Hospital District is required to pay certain amounts set out in the debt agreements.

Interest earned on these funds (less administrative expenses) becomes an obligation of the Authority to the Regional Hospital District. If at any time insufficient funds are provided by the Regional Hospital District, the Authority will then use the funds to meet payments on the obligations. When this occurs, the Regional Hospital District may be called upon to restore the fund. The MFA holds demand notes related to the Hospital District's debt. The demand notes are not recorded as they only become payable should debt be in default or the MFA requires the funds to meet debt obligations.

	2023	2022
Cash Deposits - Cowichan Valley Regional Hospital District	\$ 3,076	\$ 2,983
Demand Notes - Cowichan Valley Regional Hospital District	<u>5,131</u>	<u>5,131</u>
	<u>\$ 8,207</u>	<u>\$ 8,114</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

10. Budget Figures

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 22, 2023. The financial plan budgeted for transfers to and from the reserve fund. The following reconciliation of the "annual surplus" is provided to show which items must be added and removed to reflect the financial plan.

Annual Surplus	\$ 5,534,947
Add:	
Transfer from Reserves	70,823,950
Long Term Debt	15,500,000
Less:	
Debt Principal Repayments	(10,411)
Transfer to Reserves	(1,098,486)
Major Projects	<u>(90,750,000)</u>
Surplus, per Cowichan Valley Regional Hospital District Financial Plan Bylaw No. 149	\$ <u> - </u>

11. Financial Risks

The Hospital District is not exposed to significant credit, liquidity or market risk.

Cash and investments are held with a reputable Schedule A Financial Institution.

The Hospital District prepares budgets and cash forecasts and monitors its cash flow needs to ensure it has sufficient funds to fulfill its obligations and manage liquidity risk.

The Hospital District's long-term debt bears interest at a fixed rate and is subject to interest rate risk at the refinancing date. Investments are exposed to interest rate risk on investment earnings based on market conditions

There have been no significant changes to risk exposure since 2022.

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(unaudited)

	Budget	2023	2022
Revenue			
Tax Requisition	\$ 13,292,786	\$ 13,292,786	\$ 12,664,197
Grants	-	6,716	2,512
Cash Distribution Surplus	-	-	40,881
Interest and Other Revenue	280,000	502,371	288,605
MFA Funding	<u>15,500,000</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>29,072,786</u>	<u>13,801,873</u>	<u>12,996,195</u>
Expenses			
Debenture Debt Interest	25,232	1,243	23,320
Administrative Expenses	60,000	60,521	60,025
Major Project Expenditures	<u>95,995,137</u>	<u>65,003,374</u>	<u>33,778</u>
Total Expenses	<u>96,080,369</u>	<u>65,065,138</u>	<u>117,123</u>
Operating Surplus/(Deficit)	(67,007,583)	(51,263,265)	12,879,072
Transfer to Reserve Fund (Schedule B)	-	1,800,000	1,800,000
Transfer to Restricted Reserve Fund (Schedule B)	10,803,038	-	10,803,038
Transfer from Reserve Fund (Schedule B)	(69,565,137)	(61,000,000)	(25)
Principal Debt Repayments (Schedule D)	<u>41,524</u>	<u>10,411</u>	<u>41,524</u>
	<u>(58,720,575)</u>	<u>(59,189,589)</u>	<u>12,644,537</u>
Change in Fund Balance	(8,287,008)	7,926,324	234,535
Beginning Fund Balance	<u>-</u>	<u>2,716,666</u>	<u>2,482,131</u>
Ending Fund Balance	<u>\$ (8,287,008)</u>	<u>\$ 10,642,990</u>	<u>\$ 2,716,666</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(unaudited)

	2023	2022
Fund Balance, Beginning	\$ 87,468,466	\$ 76,647,387
Add:		
Contribution to Revenue Fund (Schedule A)	1,800,000	12,603,038
Interest Earned on Restricted Reserve	2,488,833	1,540,655
Less:		
Contributions from Revenue Fund (Schedule A)	(61,000,000)	(25)
Grants to District Hospitals (Schedule E)	<u>(3,277,820)</u>	<u>(3,322,589)</u>
Fund Balance, Ending	<u>\$ 27,479,479</u>	<u>\$ 87,468,466</u>
 Fund balance is composed of:		
Section 20 Reserve	\$ 4,704,663	\$ 6,182,483
Restricted Reserve	<u>22,774,816</u>	<u>81,285,983</u>
	<u>\$ 27,479,479</u>	<u>\$ 87,468,466</u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

**SCHEDULE OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(unaudited)**

	2023	2022
Fund Balance, Beginning	\$ (32,035)	\$ (121,461)
Principal Debt Repayments (Schedule D)	10,411	41,523
Actuarial Adjustments	<u>-</u>	<u>47,903</u>
Fund Balance, Ending	<u><u>\$ (21,624)</u></u>	<u><u>\$ (32,035)</u></u>

COWICHAN VALLEY REGIONAL HOSPITAL DISTRICT

SCHEDULE OF GRANTS TO HEALTH CARE FACILITIES
YEAR ENDED DECEMBER 31, 2023
(unaudited)

	Total		Total
	2022	Grants to health care facilities	2023
	<u> </u>	<u> </u>	<u> </u>
Cowichan District	\$ 40,748,076	\$ 2,458,227	\$ 43,206,303
Nanaimo District	674,834	-	674,834
Chemainus	6,876,017	539,794	7,415,811
Ladysmith	<u>3,211,461</u>	<u>279,799</u>	<u>3,491,259</u>
	<u>\$ 51,510,388</u>	<u>\$ 3,277,820</u>	<u>\$ 54,788,207</u>