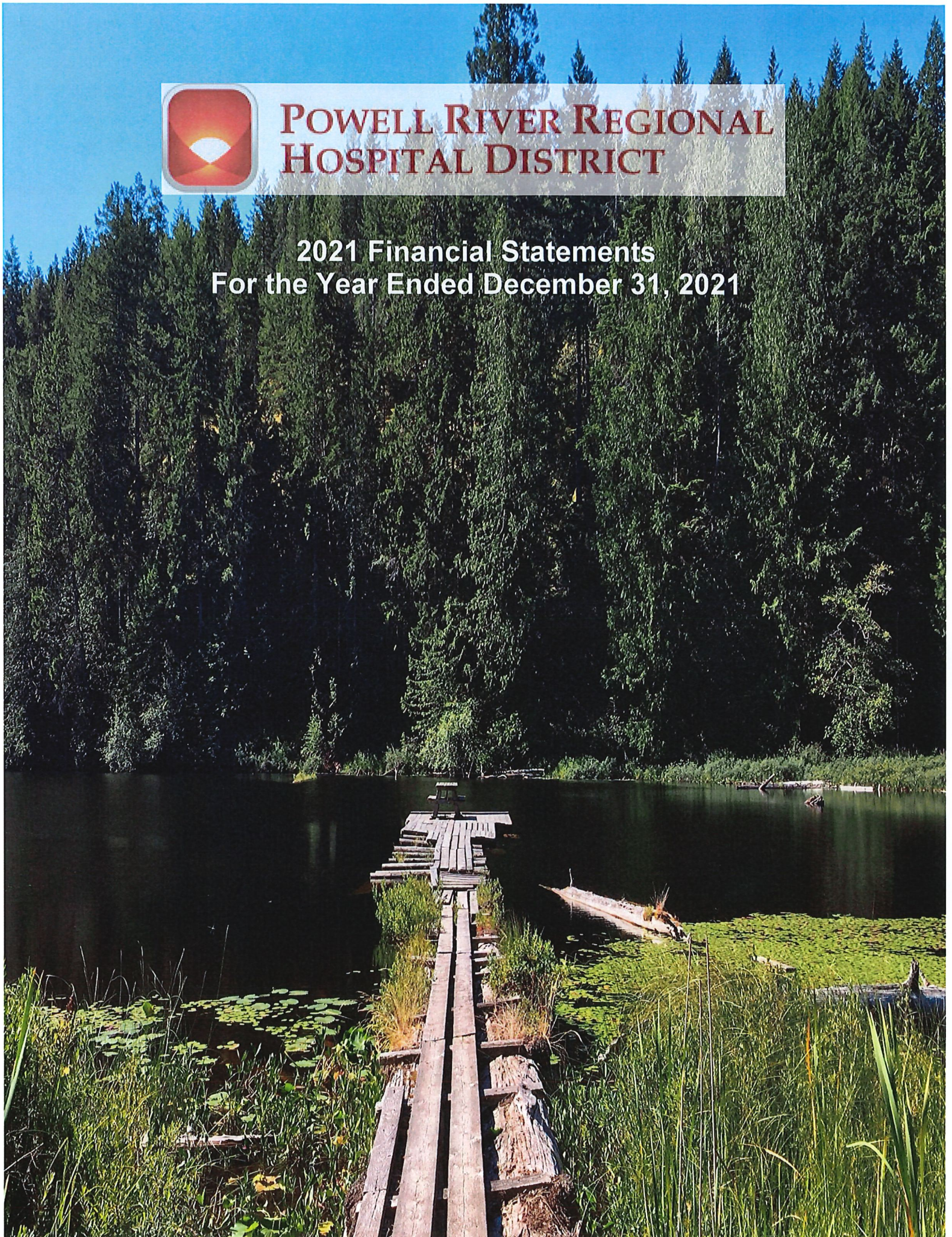




POWELL RIVER REGIONAL HOSPITAL DISTRICT

**2021 Financial Statements
For the Year Ended December 31, 2021**





POWELL RIVER REGIONAL HOSPITAL DISTRICT

Financial Statements for the year ending December 31, 2021

Management's Responsibility for the Financial Statements

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POWELL RIVER REGIONAL HOSPITAL DISTRICT

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Powell River Regional Hospital District have been prepared in accordance with the Canadian public sector accounting standards and are outlined under significant accounting policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. Management also maintains a program of proper business compliance. These systems are regularly monitored and evaluated by management.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibility for financial reporting and internal control.

The financial statements have been audited by MNP, independent external auditors appointed by the Powell River Regional Hospital District. The accompanying independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Powell River Regional Hospital District's financial statements.

Chief Administrative Officer

Chief Financial Officer

To the Board of Directors of the Powell River Regional Hospital District:

Opinion

We have audited the financial statements of the Powell River Regional Hospital District (the "Hospital District"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital District as at December 31, 2021, and the results of its operations, changes in its net debt and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital 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 Hospital 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 Hospital District or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 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 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 Hospital District'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 Hospital 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 auditor's 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 auditor's report. However, future events or conditions may cause the Hospital 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.

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.

Nanaimo, British Columbia

April 28, 2022

MNP LLP

Chartered Professional Accountants


Powell River Regional Hospital District
Statement of Financial Position
As at December 31, 2021

	2021	2020
Financial Assets		
Receivable from the gathet Regional Distict	\$ 6,214,596	\$ 5,767,549
Accounts Receivable	1,477	-
Total Financial Assets	6,216,073	5,767,549
Liabilities		
Accounts payable	45,069	98,850
Short term debt (Note 1)	90,141	-
Debenture debt (Note 2)	16,427,597	17,377,613
Accrued interest payable	171,818	171,818
Deferred revenue	157,842	150,365
Total Financial Liabilities	16,892,467	17,798,646
Net Debt	(10,676,394)	(12,031,097)
Non-Financial Assets		
Tangible capital assets (Schedule I)	22,867,636	23,410,266
Prepaid expenses	61,583	52,925
Total Non-Financial Assets	22,929,219	23,463,191
Accumulated surplus (Note 3)	\$ 12,252,826	\$ 11,432,094

Significant Event (Note 7)

Approved on behalf of the Board:


 _____ Chair


 _____ Chief Financial Officer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Powell River Regional Hospital District
Statement of Operations
For the year ended December 31, 2021

	2021 Budget (Note 6)	2021 Actual	2020 Actual
Revenue			
Lease revenue	\$ 1,192,776	\$ 1,192,776	\$ 1,192,776
Tax levy	936,899	936,898	870,545
Insurance recovery	88,644	98,127	80,585
Interest income	-	13,304	128,516
Grants and other revenue	1,135	1,477	1,366
	<u>2,219,454</u>	<u>2,242,582</u>	<u>2,273,788</u>
Expenses			
Short term interest	51,000	24	-
Debenture interest	755,692	737,805	737,805
Actuarial gains	-	(199,205)	(162,665)
Amortization	542,630	542,630	542,630
Community grants to VCH for equipment for Powell River Community Health Council	2,706,396	135,186	159,475
Insurance	91,951	102,619	83,592
Other expenses	30,000	2,792	14,286
Administration fees (Note 5)	100,000	100,000	100,000
	<u>4,277,669</u>	<u>1,421,850</u>	<u>1,475,123</u>
Annual Surplus	(2,058,215)	820,732	798,666
Accumulated surplus, beginning of year	<u>11,432,094</u>	<u>11,432,094</u>	<u>10,633,428</u>
Accumulated surplus, end of year	<u>\$ 9,373,879</u>	<u>\$ 12,252,826</u>	<u>\$ 11,432,094</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Powell River Regional Hospital District
Statement of Changes in Net Debt
For the year ended December 31, 2021

	2021 Budget (Note 6)	2021 Actual	2020 Actual
Annual Surplus	\$ (2,058,215)	\$ 820,732	\$ 798,666
Amortization of tangible capital assets	542,630	542,630	542,630
Change in prepaid expenses		(8,658)	(12,494)
Net change in debt	<u>(1,515,585)</u>	<u>1,354,704</u>	<u>1,328,802</u>
Net debt, beginning of year	<u>(12,031,097)</u>	<u>(12,031,097)</u>	<u>(13,359,899)</u>
Net debt, end of year	<u><u>\$ (13,546,682)</u></u>	<u><u>\$ (10,676,394)</u></u>	<u><u>\$ (12,031,097)</u></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Powell River Regional Hospital District
Statement of Cash Flows
For the year ended December 31, 2021

	2021 Actual	2020 Actual
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 820,732	\$ 798,666
Items not involving cash		
Actuarial Adjustment	(199,205)	(162,665)
Amortization	542,630	542,630
Changes in balances		
Accounts receivable	(1,477)	-
Deferred revenue	7,476	11,779
Accounts Payable	(53,781)	98,850
Prepaid expenses	(8,658)	(12,494)
	<u>1,107,717</u>	<u>1,276,765</u>
Financing transactions		
Issuance of short term debt	90,141	-
Repayment of debenture debt	(750,811)	(750,812)
Increase in receivable from qathet Regional District	(447,047)	(525,953)
	<u>(1,107,717)</u>	<u>(1,276,765)</u>
Increase in cash during the year	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>-</u>	<u>-</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**Powell River Regional Hospital District
Summary of Significant Accounting Policies
Year ended December 31, 2021**

Following is a summary of the significant accounting policies of the Powell River Regional Hospital District.

a) Nature of Operations

The Hospital District administers debt for capital expenditures by Powell River General Hospital and equipment grants for Powell River Community Health Council. The Hospital District is managed by the qathet Regional District who charges an administration fee for the service.

b) Financial Statements

The Hospital District prepares its financial statements in accordance with Canadian public sector accounting standards as developed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

c) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees, financing costs and site preparation costs. Interest costs during the construction phase are not capitalized. Contributed tangible capital assets are recorded at fair value at the time of donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use.

Estimated useful lives of tangible capital assets are as follows:

Land	Indefinite
Complex Care Facility	50 Years
Generator	20 Years

Tangible capital assets purchased on behalf of and transferred to the Vancouver Coastal Health are expensed when incurred.

d) Debenture Interest

Debenture interest expense is recorded on the accrual basis.

e) Revenue Recognition

Taxation

Taxes are recognized as revenue in the year they are levied.

Debenture Refund

MFA debt reserve earns interest income and is used to pay expenses of the debt issue. Revenue is recognized when the remaining balance is returned to the Hospital District at the maturity of the underlying debt. Actuarial gains are recognized when realized.

Other Revenue

Revenue is recognized when earned and/or services are rendered.

Grants In-Lieu

Revenue is recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

Lease Revenue

Lease revenue is recognized when amounts are due. The Hospital District retains all benefits and risks of ownership of its property and, therefore, accounts for leases with its tenants as operating leases.

Powell River Regional Hospital District
Summary of Significant Accounting Policies
Year ended December 31, 2021

f) Financial Instruments

The Hospital District's financial instruments are held by qathet Regional District and consist of cash and short-term investments, debenture debt, short-term debt, and accrued interest payable. Unless otherwise noted, it is management's opinion that the Hospital District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

g) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities 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.

h) Budget

The Financial Plan (Budget) By-Law was adopted by the Board on March 25, 2021.

i) Contaminated Sites

The Hospital District is required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the standard including sites that are no longer in productive use and sites for which the Hospital District accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation, therefore no liability exists at December 31, 2021.

j) Government Transfers

Government transfers, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are deferred if the transfer stipulations give rise to a liability. The transfer revenue is recognized in the statemnt of operations as the stipulation liabilities are settled.

When the Hospital District is deemed the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

Powell River Regional Hospital District
Notes to Financial Statements
Year ended December 31, 2021

1. Short Term Debt

The Powell River Regional Hospital District entered into short term financing loans to fund a 40% capital cost share request from Vancouver Coastal Health Authority.

The total short-term financing outstanding with the Municipal Finance Authority of British Columbia as at December 31, 2021 was \$90,141 (Nil - 2020). Interest on the debt is charged at daily varying rates. The rate at December 31, was 0.97%. This debt is projected to be converted to long term debt in 2022 and paid back over ten (10) years.

2. Debenture Debt

Issue Number	By-Law Number	Interest Rate	Maturity Date	2021	2020
127	108	3.30%	April 7, 2034	\$ 16,427,597	\$ 17,377,613

Future principal payments required in the next year are as follows:

Year	Amount
2022	\$ 750,811
2023	750,811
2024	750,811
2025	750,811
2026	750,811
Thereafter	6,006,492
Add: Estimated Actuarial Gains	6,667,050
	<u>\$ 16,427,597</u>

Debenture debt will also be reduced by actuarial gains or sinking fund deposits. In the current year, actuarial gains to reduce debenture debts totalled \$199,205 (2020-\$162,665).

3. Accumulated Surplus

	2021	2020
Internally restricted for equipment grants	-	\$ 18,796
Hospital Section 20 reserve fund (a)	6,074,746	5,552,463
Investment in non-financial assets		
Tangible capital assets	22,867,636	23,410,266
Debenture debt and short-term borrowings	(16,517,738)	(17,377,613)
Debt recoverable from future taxation	(171,818)	(171,818)
	<u>6,178,080</u>	<u>5,860,835</u>
	<u>\$ 12,252,826</u>	<u>\$ 11,432,094</u>

(a) As permitted by Section 20(3) of the Hospital District Act, funds are reserved for the purchase of equipment, minor renovations to hospitals and related studies and hospital debt. Interest earned of \$13,304 (2020 - \$128,516) on the Hospital Section 20 reserve fund balance was accumulated and recorded in the reserve fund during the year.

Powell River Regional Hospital District
Notes to Financial Statements
Year ended December 31, 2021

4. MFA Debt Reserve Deposits and Demand Notes

The Municipal Finance Authority of British Columbia (MFA) administers the debenture debt of the Hospital District. As a condition of these borrowings, 1% of the debt proceeds are withheld as a debt reserve fund. At December 31, 2021 the cash balance in the debt reserve fund was \$266,507 (2020 - \$262,049). The cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements are made.

The Hospital District is also required to issue non-interest bearing demand notes in connection with each debenture. As at December 31, 2021, there were notes totalling \$520,731 (2020 - \$520,731) issued by the Hospital District, which are only callable if additional requirements need to be met to maintain the level of the debt reserve funds, as such the amounts are contingent and have not been recorded in the Statement of Financial Position.

5. Related Party

The Hospital District pays a budgeted amount annually to the Regional District to cover the administrative services performed on its behalf.

6. Budget Figures

The budgeted figures were adopted by the Board on March 25, 2021.

Budgeted Surplus per Board approved budget	\$0.00
Adjust for:	
Proceeds from reserves	(18,796)
Borrowing proceeds	(2,687,600)
Transfers to reserves	440,000
Debt principal repayment	750,811
Amortization	(542,630)
Per Statement of Operations	<u>\$ (2,058,216)</u>

7. Significant Event

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which included the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, continue to have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the Hospital District's financial results for 2022. For 2021 there was minimal impact on the Hospital District operations.

8. Comparative Figures

The December 31, 2020 balances of Receivable from the qathet Regional District and Accumulated Surplus have been restated to conform with the current year's financial statement presentation.

SCHEDULE I

Powell River Regional Hospital District
Tangible Capital Assets Continuity Schedule
Year Ended December 31, 2021

	Complex Care Facility	Generator	Land	2021 Total	2020 Total
Cost, beginning of year	\$ 26,114,336	\$ 406,857	\$ 50,000	\$ 26,571,193	\$ 26,571,193
Additions					
Cost, end of year	26,114,336	406,857	50,000	26,571,193	26,571,193
Accumulated amortization, beginning of year	(3,042,261)	(118,667)		(3,160,928)	(2,618,298)
Amortization	(522,287)	(20,343)		(542,630)	(542,630)
Accumulated amortization, end of year	(3,564,548)	(139,010)	-	(3,703,558)	(3,160,928)
Net carrying amount, end of year	\$ 22,549,789	\$ 267,847	\$ 50,000	\$ 22,867,636	\$ 23,410,266

The Hospital District financed the capital cost of the Willingdon Creek Village, a complex care facility. The facility was completed in February, 2015 and residents moved in on May 6, 2015. Under the agreement, Vancouver Coastal Health Authority will contribute 64% of the costs through annual lease payments over a 20 year period. Lease payments commenced March 1, 2015. The estimated lease payments are \$1,192,776 annually.