



# POWELL RIVER REGIONAL HOSPITAL DISTRICT

Financial Statements  
For the Year Ended December 31, 2022







# POWELL RIVER REGIONAL HOSPITAL DISTRICT

## **Financial Statements for the year ending December 31, 2022**

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Independent Auditor's Report

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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 LLP, 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.

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Chief Administrative Officer

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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, 2022, 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, 2022, 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 26, 2023

*MNP LLP*

Chartered Professional Accountants

**Powell River Regional Hospital District**  
**Statement of Financial Position**  
**As at December 31, 2022**

	<u>2022</u>	<u>2021</u> Restated (Note 8)
<b>Financial Assets</b>		
Receivable from the qathet Regional Distict	\$ 6,675,045	\$ 6,214,596
Accounts Receivable	<u>107,672</u>	<u>1,477</u>
<b>Total Financial Assets</b>	6,782,717	6,216,073
<b>Liabilities</b>		
Accounts payable	442,837	681,688
Short term debt (Note 2)	-	90,141
Debenture debt (Note 3)	16,954,732	16,427,597
Accrued interest payable	188,766	171,818
Deferred revenue	<u>154,027</u>	<u>157,842</u>
<b>Total Financial Liabilities</b>	<u>17,740,361</u>	<u>17,529,086</u>
<b>Net Debt</b>	<u>(10,957,644)</u>	<u>(11,313,013)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule I)	22,325,006	22,867,636
Prepaid expenses	<u>57,501</u>	<u>61,583</u>
<b>Total Non-Financial Assets</b>	<u>22,382,508</u>	<u>22,929,219</u>
<b>Accumulated surplus (Note 4)</b>	<u><u>\$ 11,424,864</u></u>	<u><u>\$ 11,616,207</u></u>

Approved on behalf of the Board:



Chair



Chief Financial Officer

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

**Powell River Regional Hospital District**  
**Statement of Operations**  
**For the year ended December 31, 2022**

	2022 Budget (Note 7)	2022 Actual	2021 Actual Restated (Note 8)
<b>Revenue</b>			
Lease revenue	\$ 1,192,776	\$ 1,192,776	\$ 1,192,776
Tax levy	939,282	939,282	936,898
Insurance recovery	107,940	109,596	98,127
Interest income	60,587	77,037	13,304
Grants and other revenue	1,135	1,891	1,477
	<u>2,301,720</u>	<u>2,320,582</u>	<u>2,242,582</u>
<b>Expenses</b>			
Short term interest	68,000	11,259	24
Debenture interest	737,805	754,752	737,805
Actuarial gains	(237,205)	(237,205)	(199,205)
Amortization	542,630	542,630	542,630
Community grants to VCH for equipment for Powell River Community Health Council	2,670,770	1,211,868	771,805
Insurance	114,517	108,268	102,619
Other expenses	45,000	15,353	2,792
Administration fees (Note 6)	100,000	105,000	100,000
	<u>4,041,517</u>	<u>2,511,925</u>	<u>2,058,469</u>
<b>Annual Surplus (deficit)</b>	(1,739,797)	(191,343)	184,113
<b>Accumulated surplus, beginning of year</b>	<u>11,616,207</u>	<u>11,616,207</u>	<u>11,432,094</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 9,876,410</u>	<u>\$ 11,424,864</u>	<u>\$ 11,616,207</u>

The accompanying 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, 2022**

	2022 Budget (Note 7)	2022 Actual	2021 Actual Restated (Note 8)
<b>Annual Surplus (deficit)</b>	\$ (1,739,797)	\$ (191,343)	\$ 184,113
Amortization of tangible capital assets	542,630	542,630	542,630
Change in prepaid expenses		4,082	(8,658)
<b>Net change in debt</b>	<u>(1,197,167)</u>	<u>355,369</u>	<u>718,085</u>
<b>Net debt, beginning of year</b>	<u>(11,313,013)</u>	<u>(11,313,013)</u>	<u>(12,031,097)</u>
<b>Net debt, end of year</b>	<u><u>\$ (12,510,180)</u></u>	<u><u>\$ (10,957,644)</u></u>	<u><u>\$ (11,313,013)</u></u>

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



**Powell River Regional Hospital District**  
**Statement of Cash Flows**  
**For the year ended December 31, 2022**

	2022 Actual	2021 Actual Restated (Note 8)
<b>Cash provided by (used in)</b>		
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ (191,343)	\$ 184,113
Items not involving cash		
Actuarial Adjustment	(237,205)	(199,205)
Amortization	542,630	542,630
Changes in balances		
Accounts receivable	(106,195)	(1,477)
Deferred revenue	(3,815)	7,477
Accounts Payable	(238,852)	582,838
Prepaid expenses	4,082	(8,658)
Accrued interest payable	16,948	-
	<u>(213,750)</u>	<u>1,107,717</u>
<b>Financing transactions</b>		
Repayment of short term debt	(90,141)	90,141
Repayment of debenture debt	(750,811)	(750,811)
Issuance of debenture debt	1,515,152	-
Increase in receivable from qathet Regional District	(460,449)	(447,047)
	<u>213,750</u>	<u>(1,107,717)</u>
Increase in cash during the year	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u><u>-</u></u>	<u><u>-</u></u>

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

**Powell River Regional Hospital District  
Notes to Financial Statements  
Year ended December 31, 2022**

**1 Summary of Significant Accounting Policies**

**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.

**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.

**Powell River Regional Hospital District  
Notes to Financial Statements  
Year ended December 31, 2022**

**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 30, 2022.

**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, 2022.

**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 statement 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.

**k) Recent Accounting Pronouncements**

PS 3280 *Asset Retirement Obligations*, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets and is effective for the Regional Hospital District as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

- a. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b. The past transaction or event giving rise to the liability has occurred;
- c. It is expected that future economic benefits will be given up; and
- d. A reasonable estimate of the amount can be made.

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Statement of Operations.

Management is in the process of assessing the impact of adopting this standard on the Regional Hospital District's financial results.

**2 Short Term Debt**

The Powell River Regional Hospital District entered into a short term financing loan 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, 2022 was Nil (2021 -\$90,141). This debt was converted to long term debt in 2022 and will be paid back over ten (10) years.

**Powell River Regional Hospital District  
Notes to Financial Statements  
Year ended December 31, 2022**

**3 Debenture Debt**

Issue Number	By-Law Number	Interest Rate	Maturity Date	2022	2021
127	108	3.30%	Apr 7, 2034	\$ 15,439,581	\$ 16,427,597
158	125	4.09%	Sep 23, 2032	\$ 1,515,152	Nil
Totals				\$ 16,954,732	\$ 16,427,597

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

Year	Amount
2023	\$ 879,965
2024	879,965
2025	879,965
2026	879,965
2027	879,965
Thereafter	5,901,448
Add: Estimated Actuarial Gains	6,653,460
	<u>\$ 16,954,732</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 \$237,205 (2021 - \$199,205).

**4 Accumulated Surplus**

	2022	2021
Hospital Section 20 reserve fund (a)	6,243,355	5,438,127
Investment in non-financial assets		
Tangible capital assets	22,325,006	22,867,636
Debenture debt and short-term borrowings	(16,954,732)	(16,517,738)
Debt recoverable from future taxation	(188,766)	(171,818)
	<u>5,181,509</u>	<u>6,178,080</u>
	<u>\$ 11,424,864</u>	<u>\$ 11,616,207</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 \$77,037 (2021 - \$13,304) on the Hospital Section 20 reserve fund balance was accumulated and recorded in the reserve fund during the year.

**5 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, 2022 the cash balance in the debt reserve fund was \$287,766 (2021 - \$266,507). 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, 2022, there were notes totalling \$601,141 (2021 - \$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.

**6 Related Party**

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



**Powell River Regional Hospital District  
Notes to Financial Statements  
Year ended December 31, 2022**

**7 Budget Figures**

The budgeted figures were adopted by the Board on March 30, 2022.

<b>Budgeted Surplus per Board approved budget</b>	\$0.00
Adjust for:	
Borrowing proceeds	(2,597,459)
Transfers to reserves	649,481
Debt principal repayment	750,811
Amortization	(542,630)
<b>Per Statement of Operations</b>	<u>\$ (1,739,797)</u>

**8 2021 Restatement**

In 2022 the Hospital District reviewed the grant payments to Vancouver Coastal Health for capital and equipment needs and determined that an invoice for \$636,619 recorded in 2022 should have been recorded in 2021. This resulted in an increase to the 2021 expenses and accounts payable, and a corresponding reduction to the ending accumulated surplus at December 31, 2021.

**SCHEDULE I**

**Powell River Regional Hospital District  
Tangible Capital Assets Continuity Schedule  
Year Ended December 31, 2022**

	<b>Complex Care</b>				
	<b>Facility</b>	<b>Generator</b>	<b>Land</b>	<b>2022 Total</b>	<b>2021 Total</b>
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	(3,564,548)	(139,010)	-	(3,703,558)	(3,160,928)
Amortization	(522,287)	(20,343)		(542,630)	(542,630)
Accumulated amortization, end of year	(4,086,835)	(159,353)	-	(4,246,188)	(3,703,558)
Net carrying amount, end of year	\$ 22,027,501	\$ 247,504	\$ 50,000	\$ 22,325,006	\$ 22,867,636

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.