Consolidated Financial Statements of

PROVIDENCE HEALTH CARE SOCIETY

Year ended March 31, 2018

Providence HEALTH CARE
How you want to be treated.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The consolidated financial statements of Providence Health Care Society ("Providence") for the year ended March 31, 2018 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated 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 Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

Providence's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination considers internal control relevant to management's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purposes of expressing an opinion on the effectiveness of Providence's internal control. The external auditors have full and free access to the Audit and Finance Committee of the Board and meet a minimum of two times a year.

On behalf of Providence Health Care Society:

Fiona Dalton
President and Chief Executive Officer

Brian Woods
Chief Financial Officer (Interim)

June 18, 2018
Vancouver, Canada

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Providence Health Care Society and
the Minister of the Ministry of Health, Province of British Columbia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Providence Health Care Society, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Providence Health Care Society as at March 31, 2018 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements, which describes the basis of accounting and significant differences between such basis of accounting and Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the *Societies Act* (British Columbia), we are required to state:

- whether, in our opinion, these consolidated financial statements fairly reflect, in all material respects, for the period under review, the consolidated financial position of Providence Health Care Society and the results of its consolidated operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are not considered a fair presentation financial reporting framework, our opinion stated above cannot contain this statement.
- whether, in our opinion, these consolidated financial statements are prepared in accordance with generally accepted accounting principles. These consolidated financial statements were prepared in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia. Note 1(a) to the consolidated financial statements describes the significant differences between such basis of accounting and Canadian public sector accounting standards. As a result, our opinion stated above refers to the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and not to generally accepted accounting principles.
- whether these consolidated financial statements are prepared on a basis consistent with the basis on which the consolidated financial statements that related to the preceding period were prepared. We report that, in our opinion, the significant accounting policies applied in preparing these consolidated financial statements have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

June 18, 2018
Vancouver, Canada

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Financial Position
(Tabular amounts expressed in thousands of dollars)

As at March 31, 2018

		2018		2017
Financial assets				
Cash and cash equivalents (note 2)	$	40,280	$	31,430
Portfolio investments (note 2)		67		4,905
Accounts receivable (note 3)		36,437		35,583
Long-term disability and health and welfare benefits (note 8(b)(i))		198		-
		76,982		71,918
Liabilities				
Accounts payable and accrued liabilities (note 4)		103,280		88,367
Deferred operating contributions (note 5)		6,750		5,223
Demand loan (note 6)		29,000		29,000
Debt (note 7)		10,087		10,337
Lease inducements		3,885		4,971
Retirement allowance (note 8(a))		49,591		48,505
Long-term disability and health and welfare benefits (note 8(b)(i))		-		7,414
Replacement reserves (note 9)		760		681
Deferred capital contributions (note 10)		159,658		165,503
		363,011		360,001
Net debt	$	(286,029)	$	(288,083)
Non-financial assets				
Prepaid expenses	$	3,433	$	3,613
Inventories held for use (note 11)		8,071		11,077
Tangible capital assets (note 12)		189,060		192,647
		200,564		207,337
Accumulated deficit	$	(85,465)	$	(80,746)

Commitments and contingencies (note 13)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Eric Harris
Director

Dan Wilton
Director

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Operations and Accumulated Deficit
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

	Budget	2018	2017
	(notes 1(m) and 18)		
Revenues:			
Vancouver Coastal Health Authority contributions	$ 542,795	$ 551,857	$ 529,254
Pharmacare	136,154	116,252	126,341
Recoveries from other health authorities and BC government reporting entities	93,387	107,982	102,178
Medical Services Plan	60,320	60,128	60,965
Patients, clients and residents (note 14(a))	36,993	39,339	41,365
Amortization of deferred capital contributions (note 10)	21,892	23,653	22,111
Other	13,853	27,835	33,560
	905,394	927,046	915,774
Expenses: (note 14(b))			
Acute	731,002	752,213	747,823
Residential care	55,184	55,606	55,934
Corporate	56,818	54,809	58,320
Mental health and substance use	43,099	48,754	44,772
Community care	19,291	20,383	19,997
	905,394	931,765	926,846
Annual deficit	-	(4,719)	(11,072)
Accumulated deficit, beginning of year	(80,746)	(80,746)	(69,674)
Accumulated deficit, end of year	$ (80,746)	$ (85,465)	$ (80,746)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Changes in Net Debt
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

	Budget (notes 1(m) and 18)	2018	2017
Annual deficit	$ -	$ (4,719)	$ (11,072)
Acquisition of tangible capital assets	(15,953)	(21,561)	(21,493)
Amortization of tangible capital assets	23,538	25,148	23,943
	7,585	(1,132)	(8,622)
Acquisition of inventories held for use	-	(132,592)	(149,143)
Acquisition of prepaid expenses	-	(9,570)	(9,423)
Consumption of inventories held for use	-	135,598	147,897
Use of prepaid expenses	-	9,750	9,320
	-	3,186	(1,349)
(Increase) decrease in net debt	7,585	2,054	(9,971)
Net debt, beginning of year	(288,083)	(288,083)	(278,112)
Net debt, end of year	$ (280,498)	$ (286,029)	$ (288,083)

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Cash Flows
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2018

	2018	2017
Cash flows from (used in)		
Operating activities:		
Annual deficit	$ (4,719)	$ (11,072)
Items not involving cash:		
Amortization of tangible capital assets (note 12)	25,148	23,943
Amortization of deferred capital contributions (note 10)	(23,653)	(22,111)
Amortization of lease inducements	(1,173)	(1,181)
Retirement allowance expense (note 8(a))	3,698	3,711
Long-term disability and health and welfare benefits expense (note 8(b)(i))	9,814	22,658
	9,115	15,948
Net change in non-cash operating items (note 15)	18,851	(7,527)
Net change in cash from operating activities	27,966	8,421
Capital activities:		
Acquisition of tangible capital assets	(21,561)	(21,493)
Net change in cash from capital activities	(21,561)	(21,493)
Investing activities:		
Net change in portfolio investments	4,838	1,267
Net change in cash from investing activities	4,838	1,267
Financing activities:		
Repayment of debt	(250)	(243)
Leasehold inducements	87	561
Retirement allowance benefits paid (note 8(a))	(2,612)	(2,793)
Long-term disability and health and welfare benefits contributions (note 8(b)(i))	(17,426)	(20,923)
Capital contributions (note 10)	17,808	16,150
Net change in cash from financing activities	(2,393)	(7,248)
Increase (decrease) in cash and cash equivalents	8,850	(19,053)
Cash and cash equivalents, beginning of year	31,430	50,483
Cash and cash equivalents, end of year	$ 40,280	$ 31,430

See accompanying notes to consolidated financial statements.

Providence Health Care Society ("Providence") is incorporated under the *Societies Act of British Columbia* and is funded by the Ministry of Health (the "Ministry"). Providence is a not-for-profit organization and is a registered charity under the *Income Tax Act*, and as such, is exempt from income taxes.

Providence, situated in central Vancouver, provides acute care, geriatric rehabilitation, continuing care, and other tertiary care services to the residents of Greater Vancouver Regional Area and other residents of British Columbia ("BC"). Providence is responsible for operating seven community dialysis clinics in the Vancouver region, an addiction clinic and has clinical operations on eight different sites: St. Paul's Hospital, Holy Family Hospital, Mount Saint Joseph Hospital, Brock Fahrni Pavilion, St. Vincent's Langara, Youville Residence, St. John's Hospice, and Honoria Conway at St. Vincent's Heather.

Providence is a strategic partner with Vancouver Coastal Health Authority ("VCHA"). The formal relationship is delineated within an Affiliation Agreement signed by the respective parties on June 16, 1998. The Affiliation Agreement establishes Accountability Provisions, Operating Principles, Funding Guidelines, Dispute Mechanism, and Termination Rights between Providence and VCHA. Providence is dependent upon the Ministry and VCHA to provide sufficient funding to continue operations, to replace equipment and to complete other capital projects.

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

The *Budget Transparency and Accountability Act* requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges, and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Canadian Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

(*i*) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(*ii*) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, *Restricted Assets and Revenue*; and
- deferred contributions meet the liability criteria in accordance with PS 3200, *Liabilities.*

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Basis of presentation and consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by Providence. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities being eliminated on consolidation. Providence Residential and Community Care Services Society ("PRCC") is controlled by Providence and is fully consolidated in these consolidated financial statements.

1. Significant accounting policies (continued):

(b) Basis of presentation and consolidation (continued):

Providence has collaborative relationships with certain foundations and other institutions, which support the activities of Providence and/or provide services under contracts. As Providence does not control these organizations, these consolidated financial statements do not include the assets, liabilities, and results of operations of related foundations and Providence Health Care Research Institute Trust (notes 16(c) and 16(d)).

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) Portfolio investments:

Portfolio investments include banker's acceptances, treasury bills, and bonds and are recorded at amortized cost adjusted for any write-downs. Transaction costs are included in the cost of the related investment.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(e) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight-line basis over the lease term.

(f) Asset retirement obligations:

Providence recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rate. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, Providence reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rate, with the offsetting amount recorded to the carrying amount of the related asset.

1. Significant accounting policies (continued):

(g) Employee benefits:

(*i*) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employers defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 11 years (2017 - 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure obligations is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(*ii*) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(*iii*) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(*iv*) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates Providence to pay benefits occurs.

1. Significant accounting policies (continued):

(h) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	5 - 28 years
Buildings	20 - 40 years
Equipment	3 - 20 years
Information systems	3 - 5 years
Leasehold improvements	Lesser of lease term or estimated useful life

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Providence's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the consolidated statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period when the service benefits are received.

1. Significant accounting policies (continued):

(i) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation*, thereto, Providence is funded primarily by the Province of BC in accordance with budget arrangements established and approved by the Ministry and VCHA. Approved operating contributions are provided to Providence by the Ministry through VCHA.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist Providence in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these consolidated financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

Contributions for the acquisition of land, or the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

(j) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

1. Significant accounting policies (continued):

(k) Foreign currency translation:

Providence's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date.

Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the consolidated statement of operations.

(l) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. All debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

1. Significant accounting policies (continued):

(l) Financial instruments (continued):

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Providence's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(m) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's fiscal 2017/2018 preliminary budget approved by the Board of Directors on March 29, 2017. Note 18 reconciles the preliminary approved budget to the final budget reflected in the consolidated statement of operations and accumulated deficit. The budget reflected in the consolidated statement of operations and accumulated deficit was approved by the Board of Directors on September 6, 2017.

(n) Newly adopted accounting standards:

Effective April 1, 2017, Providence adopted the following new accounting standards:

(*i*) PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the consolidated financial statements.

(*ii*) PS 3420, *Inter-entity Transactions.* PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. Requirements of this standard are considered in conjunction with requirements of PS 2200.

(*iii*) PS 3210, Assets. PS 3210 provides guidance for applying the definition of assets set out in PS 1000, Financial Statement Concepts, and establishes general disclosure standards for assets. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, a disclosure should be provided.

(*iv*) PS 3320, Contingent Assets. PS 3320 defines and establishes disclosure standards for contingent assets. Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

1. Significant accounting policies (continued):

(n) Newly adopted accounting standards (continued):

(*v*) PS 3380, Contractual Rights. PS 3380 defines and establishes disclosure standards for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Disclosure of information about contractual rights is required including description of their nature and extent, and the timing.

Except for disclosure changes resulting from the adoption of PS 2200 and PS 3380, there was no impact to the consolidated financial statements upon transition to the other standards.

(o) Future accounting standards:

(*i*) In June 2015, PSAB issued PS 3430, *Restructuring Transactions*. PS 3430 defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be recognized as revenue or as an expense by entities involved;
- A transferor should derecognize individual assets and liabilities transferred in a restructuring transaction at their carrying amount at the restructuring date;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

PS 3430 applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Management is in the process of assessing the impact of adoption of PS 3430 on the consolidated financial statements of Providence.

(Tabular amounts expressed in thousands of dollars)

1. Significant accounting policies (continued):

(o) Future accounting standards (continued):

(*ii*) In March 2018, PSAB issued PS 3280, *Asset Retirement Obligations.* PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are as follows:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the consolidated financial statements of Providence.

2. Cash and cash equivalents and portfolio investments:

	2018	2017
Cash and cash equivalents	$ 40,280	$ 31,430
Portfolio investments	67	4,905
	40,347	36,335
Less amounts restricted for:		
Special purpose funds	(224)	(224)
Replacement reserves (note 9)	(760)	(681)
Patient comfort funds	(154)	(139)
Deferred Salary Leave Plan	(12)	(39)
Unrestricted cash and cash equivalents and portfolio investments	$ 39,197	$ 35,252

(Tabular amounts expressed in thousands of dollars)

3. Accounts receivable:

		2018		2017
Patients, clients, and residents	$	16,602	$	14,897
Other health authorities and BC government reporting entities		11,287		8,161
Vancouver Coastal Health Authority		8,624		11,533
Foundations		3,087		1,721
Pharmacare		2,455		2,377
Medical Services Plan		1,690		1,777
Federal government		1,333		1,408
Ministry of Health		87		159
Other		4,300		4,553
		49,465		46,586
Allowance for doubtful accounts		(13,028)		(11,003)
	$	36,437	$	35,583

4. Accounts payable and accrued liabilities:

		2018		2017
Trade accounts payable and accrued liabilities	$	47,566	$	38,215
Accrued salaries and benefits		34,796		29,961
Accrued vacation pay		20,918		20,191
	$	103,280	$	88,367

5. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

		2018		2017
Deferred operating contributions, beginning of year	$	5,223	$	15,709
Contributions received in the year		5,521		1,118
Amount recognized as revenue in the year		(3,994)		(11,604)
Deferred operating contributions, end of year	$	6,750	$	5,223

(Tabular amounts expressed in thousands of dollars)

6. Demand loan:

A demand loan of $30.0 million was provided by VCHA for the acquisition of the Station Street Lands, the site of the future St. Paul's Hospital. Providence repaid $1.0 million of principal of the demand loan during the year ended March 31, 2016. The demand loan is interest bearing and interest is based on the Government of BC Central Deposit rate, which was 1.95% at March 31, 2018 (2017 - 1.20%). Providence incurred and paid interest expense of $0.4 million during the year ended March 31, 2018 (2017 - $0.3 million).

7. Debt:

	2018	2017
MCAP Financial Corporation Mortgage, interest at 3.22% per annum, due June 1, 2024, secured by first charge on properties, payable in blended payments of $48 per month	$ 10,087	$ 10,337

Required blended payments on the mortgage for the years ending March 31 are as follows:

2019	$ 578
2020	578
2021	578
2022	578
2023	578
Thereafter	9,046
	11,936
Less: interest	(1,849)
	$ 10,087

(Tabular amounts expressed in thousands of dollars)

8. Employee benefits:

(a) Retirement allowance:

Certain employees with 10 or 20 years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

Providence's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2017 and extrapolated to March 31, 2018 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2018 are derived. The next required valuation will be as of December 31, 2018.

Information about retirement allowance benefits are as follows:

	2018	2017
Accrued benefit obligation:		
Severance benefits	$ 25,133	$ 25,005
Sick leave benefits	18,787	18,456
	43,920	43,461
Unamortized actuarial gain	5,671	5,044
Accrued benefit liability	$ 49,591	$ 48,505

The accrued benefit liability for retirement allowance reported on the consolidated statement of financial position is as follows:

	2018	2017
Accrued benefit liability, beginning of year	$ 48,505	$ 47,587
Net benefit expense:		
Current service cost	2,768	2,770
Interest expense	1,692	1,643
Amortization of actuarial gain	(762)	(702)
	3,698	3,711
Benefits paid	(2,612)	(2,793)
Accrued benefit liability, end of year	$ 49,591	$ 48,505

(Tabular amounts expressed in thousands of dollars)

8. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring Providence's accrued retirement benefit obligation are as follows:

	2018	2017
Accrued benefit obligation as at March 31:		
Discount rate	4.01%	3.86%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.86%	3.93%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increase	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claim ("health and welfare benefits") for certain employee groups of Providence and other provincially funded organizations.

Providence and all other participating employers are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(*i*) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan, with Providence's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, Providence's net trust assets are reflected in these consolidated financial statements.

Providence's assets as of March 31, 2018 are based on the actuarial valuation at December 31, 2017, extrapolated to March 31, 2018. The next expected valuation is as of December 31, 2018.

(Tabular amounts expressed in thousands of dollars)

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(*i*) Long-term disability and health and welfare benefits (continued):

The long-term disability and health and welfare benefits (asset) liability reported on the consolidated statement of financial position is as follows:

	2018	2017
Accrued benefit obligation	$ 54,072	$ 60,471
Fair value of plan assets	54,270	53,057
Long-term disability and health and welfare benefits (asset) liability	$ (198)	$ 7,414

	2018	2017
Long-term disability and health and welfare benefits liability, beginning of year	$ 7,414	$ 5,679
Net benefit expense:		
Long-term disability and health and welfare expense	12,583	21,538
Interest expense	2,981	3,069
Expected return on assets	(2,780)	(2,942)
Actuarial (gain) loss	(2,970)	993
	9,814	22,658
Contributions to the plan	(17,426)	(20,923)
Long-term disability and health and welfare benefits (asset) liability, end of year	$ (198)	$ 7,414
Benefits paid to claimants	$ (18,660)	$ (24,739)

(Tabular amounts expressed in thousands of dollars)

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

Plan assets consist of:

	2018	2017
Debt securities	42%	41%
Foreign equities	34%	34%
Equity securities and other	24%	25%
Total	100%	100%

The significant actuarial assumptions adopted in measuring Providence's accrued long-term disability and health and welfare benefits (asset) liability are as follows:

	2018	2017
Accrued benefit liability as at March 31:		
Discount rate	5.80%	5.30%
Rate of benefit increase	1.50%	1.50%
Benefit cost for years ended March 31:		
Discount rate	5.30%	5.30%
Rate of compensation increase	1.50%	1.50%
Expected future inflationary increases:	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.30%

Actual rate of return on plan assets was 7.6% for the year ended December 31, 2017 (2016 – 4.0%).

(ii) Joint Benefit Trusts:

The 2014 - 2019 Health Science Professionals Bargaining Association, Community Bargaining Association and Facilities Bargaining Association collective agreements include provisions to establish Joint Benefit Trusts ("JBTs") to provide long-term disability and health and welfare benefits to the employees covered by these agreements. Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to these employee groups through the Healthcare Benefit Trust transitioned to the JBTs. Employer contributions to the JBTs are based on a specified percentage of payroll costs.

(Tabular amounts expressed in thousands of dollars)

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(*ii*) Joint Benefit Trusts (continued):

During the year ended March 31, 2018, Providence made the following contributions to each JBT:

		2018
Joint Community Benefits Trust (JCBT)	$	60
Joint Facilities Benefits Trust (JFBT)		8,083
Joint Health Science Benefits Trust (JHSBT)		3,470
	$	11,613

(c) Employee pension benefits:

Providence and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $32.6 million (2017 - $31.5 million) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2015 indicated a funding surplus of approximately $2,224.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 193,000 active members, of which approximately 6,146 are employees of Providence (2017 – 6,073). The next expected actuarial valuation date will be as of December 31, 2018 with results available in 2019.

Employer contributions to the Public Service Pension Plan of $0.1 million (2017 - $0.1 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at March 31, 2017, indicated a surplus of approximately $1,896.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 59,000 active members, of which approximately 20 are employees of Providence (2017 – 22). The next expected actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

9. Replacement reserves:

The replacement reserves of $0.8 million as of March 31, 2018 (2017 - $0.7 million) represent the accumulated provision specified by the BC Housing Corporation and are funds for replacement of appliances and equipment for the benefit of Honoria Conway at St. Vincent’s Heather.

(Tabular amounts expressed in thousands of dollars)

10. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for tangible capital assets.

	2018	2017
Deferred capital contributions, beginning of year	$ 165,503	$ 171,464
Capital contributions received:		
Vancouver Coastal Health Authority	10,713	7,585
St. Paul's Hospital Foundation	6,621	5,165
Tapestry Foundation for Health Care	-	2,409
Providence Health Care Research Institute Trust	115	161
Other	359	830
	17,808	16,150
Amortization for the year	(23,653)	(22,111)
Deferred capital contributions, end of year	$ 159,658	$ 165,503

Deferred capital contributions are comprised of the following:

	2018	2017
Contributions used to purchase tangible capital assets (note 12)	$ 115,603	$ 119,285
Unspent contributions	44,055	46,218
	$ 159,658	$ 165,503

11. Inventories held for use:

	2018	2017
Pharmaceuticals	$ 7,405	$ 10,110
Medical supplies	666	967
	$ 8,071	$ 11,077

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets:

Cost	2017	Additions	Disposals	Transfers	2018
Land	$ 58,272	$ 1,526	$ -	$ -	$ 59,798
Land improvements	252	-	-	-	252
Buildings	344,846	-	-	9,143	353,989
Equipment	224,654	6,737	(9,860)	1,659	223,190
Information systems	39,855	681	-	333	40,869
Leasehold improvements	19,218	-	-	96	19,314
Construction and equipment In progress	11,086	12,617	-	(11,231)	12,472
Total	$ 698,183	$ 21,561	$ (9,860)	$ -	$ 709,884

Accumulated amortization	2017	Disposals	Amortization	2018
Land improvements	$ 252	$ -	$ -	$ 252
Buildings	256,352	-	11,515	267,867
Equipment	197,667	(9,860)	11,674	199,481
Information systems	39,840	-	29	39,869
Leasehold improvements	11,425	-	1,930	13,355
Total	$ 505,536	$ (9,860)	$ 25,148	$ 520,824

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets (continued):

Cost	2016	Additions	Disposals	Transfers	2017
Land	$ 58,272	$ -	$ -	$ -	$ 58,272
Land improvements	252	-	-	-	252
Buildings	339,206	-	-	5,640	344,846
Equipment	219,415	11,416	(6,198)	21	224,654
Information systems	39,855	-	-	-	39,855
Leasehold improvements	16,428	-	-	2,790	19,218
Construction and equipment In progress	9,460	10,077	-	(8,451)	11,086
Total	$ 682,888	$ 21,493	$ (6,198)	$ -	$ 698,183

Accumulated amortization	2016	Disposals	Amortization	2017
Land improvements	$ 248	$ -	$ 4	$ 252
Buildings	244,456	-	11,896	256,352
Equipment	193,343	(6,198)	10,522	197,667
Information systems	39,829	-	11	39,840
Leasehold improvements	9,915	-	1,510	11,425
Total	$ 487,791	$ (6,198)	$ 23,943	$ 505,536

Net book value	2018	2017
Land	$ 59,798	$ 58,272
Buildings	86,122	88,494
Equipment	23,709	26,987
Information systems	1,000	15
Leasehold improvements	5,959	7,793
Construction and equipment in progress	12,472	11,086
Total	$ 189,060	$ 192,647

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets (continued):

Tangible capital assets are funded as follows:

	2018	2017
Deferred capital contributions (note 10)	$ 115,603	$ 119,285
Demand loan (note 6)	29,000	29,000
Debt (note 7)	10,087	10,337
Internally funded	34,370	34,025
Tangible capital assets	$ 189,060	$ 192,647

13. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2018, Providence had outstanding commitments for construction, equipment and information systems in-progress of $4.1 million (2017 - $3.7 million).

(b) Contractual obligations:

Providence has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

2019	$ 30,007
2020	18,272
2021	12,201
2022	11,204
2023	5,696
	$ 77,380

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2019	$ 7,630
2020	7,167
2021	4,063
2022	1,924
2023	1,428
Thereafter	4,745
	$ 26,957

(Tabular amounts expressed in thousands of dollars)

13. Commitments and contingencies (continued):

(d) Litigation and claims:

Risk management and insurance services for Providence are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of Providence's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2018, management is of the opinion that Providence has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on Providence's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(e) Asset retirement obligations:

Providence has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed. The asset retirement obligations capitalized in respect of land are not amortized.

Providence has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. Providence has not recognized asset retirement obligations where there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

14. Consolidated statement of operations:

(a) Patients, clients and residents revenue:

	2018	2017
Non-residents of Canada	$ 12,927	$ 13,337
Long-term care and extended care	11,113	11,185
Non-residents of BC	10,161	11,568
WorkSafe BC	2,344	2,156
Residents of BC self-pay	1,951	2,386
Preferred accommodation	251	150
Federal government	62	244
Other	530	339
	$ 39,339	$ 41,365

(Tabular amounts expressed in thousands of dollars)

14. Consolidated statement of operations (continued):

(b) The following is a summary of expenses by object:

	2018	2017
Compensation:		
Compensation	$ 443,955	$ 427,246
Employee benefits	89,539	85,585
(Gain) loss on event-driven employee benefits	(2,970)	993
	530,524	513,824
Referred out and contracted services:		
Other health authorities and BC government reporting entities (note 16(a))	64,817	62,549
Health and support services providers	39,968	38,742
	104,785	101,291
Supplies:		
Drugs and medical gases	131,317	143,556
Medical and surgical	53,352	51,050
Diagnostic	14,942	14,662
Printing, stationery and office	1,915	2,011
Laundry and linen	1,597	1,407
Food and dietary	988	1,119
Housekeeping	487	480
Other	10,183	9,933
	214,781	224,218
Equipment and building services:		
Equipment	15,147	17,819
Rent	6,479	6,205
Plant operations (utilities)	5,178	5,197
Building and grounds service contracts	1,519	1,287
Other	2,807	3,026
	31,130	33,534
Amortization of tangible capital assets (note 12)	25,148	23,943
Sundry:		
Professional fees	10,794	14,681
Travel	1,657	1,993
Patient transport	1,597	1,705
Communications and data processing	1,125	1,134
Other	9,443	9,841
	24,616	29,354
Interest on debt and demand loan	781	682
	$ 931,765	$ 926,846

(Tabular amounts expressed in thousands of dollars)

15. Supplementary cash flow information:

Net change in non-cash operating items:

	2018	2017
Accounts receivable	$ (854)	$ 11,654
Accounts payable and accrued liabilities	14,913	(7,475)
Deferred operating contributions	1,527	(10,486)
Replacement reserves	79	129
Prepaid expenses	180	(103)
Inventories held for use	3,006	(1,246)
	$ 18,851	$ (7,527)

16. Related parties and other agencies:

The following are types of related parties. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. Disclosure of values for related party transactions is required if the values are different from that which would have been arrived at if the parties were unrelated.

(a) BC government reporting entities:

Transactions with entities controlled by the Province of BC are disclosed in note 14(b) referred out and contracted services. Included in referred out and contracted services expenses, are amounts measured at the exchange amount, which is the amount established and agreed to by the parties. These values may be different from that which would have been arrived at if the parties were unrelated.

(b) Key management personnel:

Providence has deemed the Board of Directors and Senior Executive Team, and their close family members to be key management personnel based on the PS 2200 definition. A declaration is completed by the key management personnel annually to confirm whether there are any related party transactions.

(Tabular amounts expressed in thousands of dollars)

16. Related parties and other agencies (continued):

(c) Foundations:

Providence has collaborative relationships with certain foundations, which support the activities of Providence and/or provide services under contracts. The foundations are separate legal entities. Providence has the ability to appoint some of the members of the Board of Directors of the St. Paul's Foundation. The Foundations are incorporated under the *Societies Act of British Columbia*, are registered charities under the *Income Tax Act* and were formed to raise funds to further the improvement of patient care at the respective sites of Providence. As Providence does not control these organizations, these consolidated financial statements do not include the financial and non-financial assets and liabilities, and results of operations of related foundations.

Providence received donations of the following amounts during the year for various facilities:

	2018	2017
St. Paul's Foundation	$ 16,386	$ 12,556
Tapestry Foundation	-	2,199
	$ 16,386	$ 14,755

As of April 1, 2017, Tapestry Foundation was amalgamated with St Paul's Foundation.

(d) Providence Health Care Research Institute Trust:

Providence Health Care Research Institute Trust ("Research Institute") is an academic health science centre affiliated with the University of British Columbia and Simon Fraser University. The Research Institute is a separate legal entity and registered charity under the *Income Tax Act*; it was formally launched in 2005 to facilitate and encourage health research at Providence. As at March 31, 2018, the Research Institute includes 483 separate funds, the majority of which are medical research accounts, each with a specific purpose and under the control of an authorized person. The Research Institute funds are not available for use in Providence's activities and accordingly, these consolidated financial statements do not include the financial and non-financial assets and liabilities and results of operations of the Research Institute.

(e) BC Clinical and Support Services Society:

Providence is related to BC Clinical and Support Services ("BCCSS") through VCHA, which is a member of BCCSS. The purpose of BCCSS is to find opportunities where the Health Authorities can improve cost effectiveness by working collaboratively on common services. Providence accesses the services provided by BCCSS through an agreement with VCHA whereby Providence appoints VCHA as its agent in connection with the provision of services by BCCSS to Providence. BCCSS is a BC government reporting entity (note 16(a)) and transactions with BCCSS are included in note 14(b).

17. Risk management:

Providence is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from Providence's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from Providence's cash and cash equivalents, portfolio investments, and accounts receivable. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

Providence manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. Providence periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

Accounts receivable primarily consists of amounts receivable from the Ministry, other health authorities, and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, Providence periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2018, the amount of allowance for doubtful accounts was $13 million (2017 - $11.0 million).

Providence is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

(b) Liquidity risk:

Liquidity risk is the risk that Providence will not be able to meet its financial obligations as they become due. It is Providence's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, Providence has the option to sell its portfolio investments, the majority of which can be liquidated without additional cost.

Providence's principal source of funding is from VCHA and the Ministry through VCHA. Providence is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. Providence has complied with the external restrictions on the funding provided.

(Tabular amounts expressed in thousands of dollars)

17. Risk management (continued):

(b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature:

2018 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 40,280	$ -	$ -	$ 40,280
Portfolio investments	67	-	-	67
Accounts receivable	36,437	-	-	36,437
Total financial assets	$ 76,784	$ -	$ -	$ 76,784

2018 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 103,280	$ -	$ -	$ 103,280
Debt	259	1,123	8,705	10,087
Demand loan	29,000	-	-	29,000
Total liabilities	$ 132,539	$ 1,123	$ 8,705	$ 142,367

The demand loan is payable to VCHA and VCHA provides principal source of funding for Providence through the ongoing annual operating grants received from the Ministry.

2017 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	$ 31,430	$ -	$ -	$ 31,430
Portfolio investments	4,905	-	-	4,905
Accounts receivable	35,583	-	-	35,583
Total financial assets	$ 71,918	$ -	$ -	$ 71,918

2017 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 88,367	$ -	$ -	$ 88,367
Debt	251	1,087	8,999	10,337
Demand loan	29,000	-	-	29,000
Total liabilities	$ 117,618	$ 1,087	$ 8,999	$ 127,704

(c) Foreign exchange risk:

Providence's operating results and financial position are reported in Canadian dollars. As Providence operates in an international environment, some of Providence's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of Providence's operations are subject to currency transaction and translation risks.

(Tabular amounts expressed in thousands of dollars)

17. Risk management (continued):

(c) Foreign exchange risk (continued):

Providence makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2018	2017
US dollar per Canadian dollar	$ 0.776	$ 0.752

Providence has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

18. Budget figures:

The preliminary budget, as approved by the Board on March 29, 2017, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The changes are as follows and were approved by the Board of Directors on September 6, 2017:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	$ 536,340	$ 6,455	$ 542,795
Pharmacare	132,070	4,084	136,154
Recoveries from other health authorities and BC government reporting entities	-	93,387	93,387
Medical Services Plan	59,570	750	60,320
Patients, clients and residents	39,440	(2,447)	36,993
Amortization of deferred capital contributions	20,780	1,112	21,892
Other contributions	117,620	(103,767)	13,853
	905,820	(426)	905,394
Expenses:			
Acute	738,169	(7,167)	731,002
Residential care	54,167	1,017	55,184
Corporate	52,410	4,408	56,818
Mental health and substance use	42,328	771	43,099
Community care	18,746	545	19,291
	905,820	(426)	905,394
Annual surplus (deficit)	$ -	$ -	$ -

(Tabular amounts expressed in thousands of dollars)

19. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2018, Providence paid total remuneration of $3.0 million (2017 - $2.5 million) to the top ten employees and contractors for services, each of whom received total annual remuneration of $75,000 or greater. Providence did not pay any remuneration to its Board of Directors.

20. Contractual rights:

Providence has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending March 31 are as follows:

2019	$ 911
2020	530
2021	76
	$ 1,517

21. Comparative information:

Certain comparative information has been reclassified to conform to this year's consolidated financial statements presentation.