

Consolidated Financial Statements of

PROVIDENCE HEALTH CARE SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2022



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, 2022 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 notes, 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 of Directors. 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 controls. The external auditors have full and free access to the Audit and Finance Committee of the Board of Directors and meet a minimum of two times a year.

On behalf of Providence Health Care Society:

A handwritten signature in blue ink, appearing to read "Fiona Dalton", is written over a horizontal line.

Fiona Dalton
President and Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Brian Simmers", is written over a horizontal line.

Brian Simmers
Chief Financial Officer and Vice-President,
People & Health Informatics

Vancouver, Canada
June 22, 2022



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Providence Health Care Society ("Providence"), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations and accumulated deficit for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2022 of Providence 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of Providence 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.



Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1(a) to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Providence'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 Providence or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Providence's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Providence'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 Providence's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Providence to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 financial statements fairly reflect, in all material respects, for the period under review, the financial position of Providence and the results of its operations. In accordance with Canadian generally accepted auditing standards, because the financial reporting provision 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 financial statements are prepared in accordance with generally accepted accounting principles. These 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 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 financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. We report that, in our opinion, the accounting policies applied in preparing 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 have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 22, 2022

PROVIDENCE HEALTH CARE SOCIETY

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

As at March 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash and cash equivalents (note 2)	\$ 111,890	\$ 183,480
Accounts receivable (note 3)	81,024	80,143
Sale proceeds receivable (note 4)	610,438	678,072
Long-term disability and health and welfare benefits (note 5(a)(i))	10,001	4,711
	<u>813,353</u>	<u>946,406</u>
Liabilities		
Accounts payable and accrued liabilities (notes 6 and 12(d))	293,802	153,638
Deferred operating contributions (note 7)	25,177	20,428
Debt (note 8)	8,999	9,284
Lease inducements	1,010	1,120
Retirement allowance (note 5(b))	48,698	49,042
Replacement reserves (note 9)	817	922
Deferred capital contributions (note 10)	1,003,702	974,901
	<u>1,382,205</u>	<u>1,209,335</u>
Net debt	(568,852)	(262,929)
Non-financial assets		
Prepaid expenses	4,148	4,392
Inventories held for use (note 11)	8,859	8,934
Tangible capital assets (note 12)	462,913	151,302
	<u>475,920</u>	<u>164,628</u>
Accumulated deficit	\$ (92,932)	\$ (98,301)

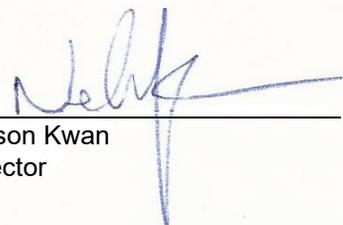
Commitments and contingencies (note 13)
Subsequent events (note 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Eric Harris
Director



Nelson Kwan
Director

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2022, with comparative information for 2021

	2022 Budget (notes 1(k) and 18)	2022	2021
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 660,195	\$ 746,689	\$ 709,978
Recoveries from other health authorities and BC government reporting entities	114,196	120,479	123,720
Pharmacare	115,001	102,046	93,989
Medical Services Plan	93,715	105,574	94,460
Patients, clients and residents (note 14(a))	34,335	39,547	32,540
Amortization of deferred capital contributions (note 10)	27,898	28,485	61,965
Other	15,559	40,389	31,933
	1,060,899	1,183,209	1,148,585
Expenses (note 14(b)):			
Acute	827,308	896,441	901,090
Corporate	77,305	90,004	79,271
Long-term care	66,628	80,826	75,270
Mental health and substance use	70,871	86,240	77,327
Community care	18,787	24,329	21,214
	1,060,899	1,177,840	1,154,172
Annual surplus (deficit) before the undernoted	-	5,369	(5,587)
Loss on change in control of Providence Living (note 21)	-	-	266
Annual surplus (deficit)	-	5,369	(5,853)
Accumulated deficit, beginning of year	(98,301)	(98,301)	(92,448)
Accumulated deficit, end of year	\$ (98,301)	\$ (92,932)	\$ (98,301)

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, 2022, with comparative information for 2021

	2022 Budget (notes 1(k) and 18)	2022	2021
Annual surplus (deficit)	\$ -	\$ 5,369	\$ (5,853)
Acquisition of tangible capital assets	(27,898)	(340,938)	(41,900)
Amortization of tangible capital assets	28,421	29,327	25,759
Loss on disposal of tangible capital asset	-	-	48,006
Change in control of tangible capital assets of Providence Living (note 21)	-	-	9,132
	523	(306,242)	35,144
Acquisition of inventories held for use	-	(106,174)	(101,186)
Acquisition of prepaid expenses	-	(10,590)	(11,692)
Consumption and transfer of inventories held for use	-	106,249	103,229
Use of prepaid expenses	-	10,834	14,266
Change in control of inventories held for use and prepaid expenses of Providence Living (note 21)	-	-	30
	-	319	4,647
(Increase) decrease in net debt	523	(305,923)	39,791
Net debt, beginning of year	(262,929)	(262,929)	(302,720)
Net debt, end of year	\$ (262,406)	\$ (568,852)	\$ (262,929)

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, 2022, with comparative information for 2021

	2022	2021
Cash flows from (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 5,369	\$ (5,853)
Items not involving cash:		
Amortization of tangible capital assets (note 12)	29,327	25,759
Amortization of deferred capital contributions (note 10)	(28,485)	(61,965)
Amortization of lease inducements	(177)	(980)
Retirement allowance expense (note 5(b))	4,143	3,846
Long-term disability and health and welfare benefits expense (note 5(a)(i))	14,879	14,971
Loss on disposal of tangible capital asset (notes 12(a) and (b))	-	48,006
Loss on change in control of Providence Living, net of cash and cash equivalents (note 21)	-	(8,905)
	25,056	14,879
Net change in non-cash operating items (note 15)	26,298	(13,796)
Retirement allowance benefits paid (note 5(b))	(4,487)	(3,941)
Long-term disability and health and welfare benefits contributions (note 5(a)(i))	(20,169)	(19,591)
Net change in cash from operating activities	26,698	(22,449)
Capital activities:		
Cash used to acquire tangible capital assets	(220,653)	(38,732)
Cash received from sale proceeds receivable (note 4)	75,000	-
Net change in cash from capital activities	(145,653)	(38,732)
Financing activities:		
Repayment of demand loan	-	(38,500)
Repayment of debt	(285)	(276)
Leasehold inducements	67	-
Capital contributions received in cash (note 10)	47,583	199,241
Net change in cash from financing activities	47,365	160,465
(Decrease) increase in cash and cash equivalents	(71,590)	99,284
Cash and cash equivalents, beginning of year	183,480	84,196
Cash and cash equivalents, end of year	\$ 111,890	\$ 183,480
Non-cash transaction:		
Capital contribution and sale proceeds receivable (note 4)	\$ -	\$ 725,000
Accretion of (discount from) present value of Burrard Street property sale proceeds receivable (note 4)	7,366	(46,928)
Tangible capital assets pertaining to Design Build Finance agreement (note 12(d))	117,948	-
Contributed tangible capital assets received	2,337	3,168

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

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

Consolidated operations of Providence, situated in central Vancouver, provides acute care, long-term 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 Hospice, and Honoria Conway at St. Vincent’s Heather. Effective April 1, 2020, Providence no longer controlled the operations of Providence Living (note 21).

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. Providence also operates under an agreement between the Province of BC and the Denominational Health Care Facilities Association.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, followed by BC’s Provincial Health Officer declaration of a public health emergency on March 17, 2020.

The financial statements of Providence reflect its response to the pandemic. Events that affect Providence’s operations continued to be addressed through collaboration with and direction from the Ministry. Providence will continue to respond appropriately to ongoing COVID-19 related issues as necessary and as directed by provincial authorities.

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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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:

- (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 accumulated deficit and certain related deferred capital contributions in the consolidated statement of financial position would be recorded differently under PSAS.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(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 Health Care Ventures (“PHCV”), formerly Providence Health Care Business Corporation, is controlled by Providence and is fully consolidated in these consolidated financial statements.

Effective April 1, 2020, Providence Living operated independently from Providence (note 21). As of this date, the assets and liabilities of Providence Living were derecognized from Providence’s consolidated financial statements and the results of operations since April 1, 2020 are no longer recognized.

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 these foundations and other institutions.

(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) 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.

(e) 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

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 12 years (2021 - 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.

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are initially 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:

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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 and building improvements	5 - 40 years
Equipment	1 - 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 and accumulated deficit. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded as revenue 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(g) 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.

(h) 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.

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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(i) 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 re-measurement gains and losses. There are no unrealized gains and losses as at March 31, 2022. As a result, Providence does not present a consolidated statement of re-measurement gains and losses.

(j) 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. Sale proceeds receivable are recorded at amortized cost. 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 and accumulated deficit.

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 and accumulated deficit.

For financial instruments measured using amortized cost, except for the sale proceeds receivable, the effective interest rate method is used to determine interest revenue or expense. For the sale proceeds receivable, the effective interest rate method is used with interest recognized in deferred capital contributions (note 10(a))

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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(j) Financial instruments (continued):

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

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.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's fiscal 2021/2022 preliminary budget approved by its Board of Directors on June 23, 2021. 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 for Providence was approved by its Board of Directors on September 22, 2021.

(l) Restructuring transactions:

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 liabilities transferred. Individual assets and liabilities received in a restructuring transaction are recognized at their carrying amount with applicable adjustments on the restructuring date. Individual assets and liabilities transferred are derecognized at their carrying amount on the restructuring date. The increase in net assets or the decrease in net liabilities resulting from a restructuring transaction are recognized as revenue or expense.

(m) Future accounting standards:

(i) 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 tangible capital assets.
- 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(m) Future accounting standards:

(i) (continued):

- 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, 2022. Management is in the process of assessing the impact of adoption of PS 3280 on the consolidated financial statements of Providence.

(ii) In June 2018, PSAB issued PS 3400, *Revenue*. PS 3400 establishes a framework describing two categories of revenue - exchange transactions with performance obligations and unilateral transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of adoption of PS 3400 on the consolidated financial statements of Providence.

2. Cash and cash equivalents:

	2022	2021
Cash and cash equivalents	\$ 111,890	\$ 183,480
Less amounts externally restricted for:		
Capital projects	(84,664)	(123,148)
Replacement reserves (note 9)	(817)	(922)
Special purpose funds	(439)	(565)
Patient comfort funds	(223)	(229)
Deferred Salary Leave Plan	(8)	(47)
Unrestricted cash and cash equivalents	\$ 25,739	\$ 58,569

PROVIDENCE HEALTH CARE SOCIETY

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Year ended March 31, 2022

3. Accounts receivable:

	2022	2021
Vancouver Coastal Health Authority	\$ 50,661	\$ 40,767
Patients, clients and residents	16,318	15,569
Other health authorities and BC government reporting entities	11,381	12,132
Federal government	3,994	1,682
St. Paul's Foundation of Vancouver	3,453	3,901
Medical Services Plan	1,655	2,339
Pharmacare	93	106
Ministry of Health	66	8,508
Other	7,462	9,119
	95,083	94,123
Allowance for doubtful accounts	(14,059)	(13,980)
	\$ 81,024	\$ 80,143

4. Sale-leaseback of the Burrard Street property:

On July 31, 2020, Providence entered into a sale-leaseback transaction (the "Transaction") for the property at 1081 Burrard Street in Vancouver ("Burrard Street property") where St. Paul's Hospital is located. The Burrard Street property was originally contributed to Providence by the Sisters of Charity of Providence in British Columbia, a Catholic faith-based entity. In accordance with the original contribution agreement and its bylaws under the *Societies Act (British Columbia)*, Providence was required to obtain approval for the Transaction from the Roman Catholic Church (the "Church"). The Church provided this approval and restricted the proceeds for the budgeted expenditures for the new St. Paul's Hospital site.

The Transaction comprised of total sale proceeds of \$850.0 million and a leaseback from the purchaser for seven years, with the option for Providence to extend the lease term by up to three additional years. The total lease payments for the remaining six-year term are \$42.7 million (note 13(c)) and will be recorded as expenses as incurred. Providence will maintain possession of and operate St. Paul's Hospital from the Burrard Street property until the end of the lease term, which is expected to coincide with the completion of the new St. Paul's Hospital.

Providence recorded \$847.5 million of the sale proceeds as deferred capital contributions (note 10(a)) in fiscal 2020/2021. The capital contribution will be recognized as revenue at the same rate of amortization as the new St. Paul's Hospital tangible capital assets which will be funded by the sale proceeds. The remaining \$2.5 million of the sale proceeds was recognized in other revenue in fiscal 2020/2021 as contributions for the \$2.5 million of transaction costs related to the sale, which is included in the budget for the new St. Paul's Hospital site.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

4. Sale-leaseback of the Burrard Street property (continued):

Providence received \$125.0 million and \$75.0 million of the sale proceeds in cash in fiscal 2020/2021 and fiscal 2021/2022, respectively. The remaining sale proceeds of \$650.0 million are due at the end of the lease term, which is currently anticipated to be July 30, 2027. The sale proceeds receivable was recorded at the present value of the amounts due using a discount rate of 1.18% and the discounted value will be increased annually to its full amount by the end of the lease term. In fiscal 2020/21, the discount of \$46.9 million was recorded net of the deferred capital contribution for the sale proceeds. In fiscal 2021/22, the accretion recorded on the sale proceeds receivable was \$7.4 million (note 10(a)). The total discounted sale proceeds receivable as at March 31, 2022 is \$610.4 million (2021 - \$678.1 million). The receivable is secured by a mortgage on the Burrard Street property. Interest accrues on the sales proceeds payment if it is not paid on time at 2.00% per annum above the Bank of Nova Scotia prime rate.

As a result of the Transaction, in fiscal 2020/2021, Providence derecognized the Burrard Street property's tangible capital assets with a net book value of \$37.9 million (note 12(b)) resulting in an expense. This expense was primarily offset by \$37.7 million of deferred capital contributions amortization revenue recognized related to the capital contributions received and deferred in prior years for the Burrard Street property (note 10(b)).

5. Employee benefits:

(a) 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 liabilities as of March 31, 2022 are based on the actuarial valuation at December 31, 2021, extrapolated to March 31, 2022. The next valuation will be as of December 31, 2022.

The fair value of plan assets below represents the market value of assets at December 31, 2021, the measurement date of the plan.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

5. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits:

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

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

	2022	2021
Accrued benefit obligation	\$ 55,982	\$ 57,481
Fair value of plan assets	(65,983)	(62,192)
Long-term disability and health and welfare benefits asset	\$ (10,001)	\$ (4,711)

	2022	2021
Long-term disability and health and welfare benefits asset, beginning of year	\$ (4,711)	\$ (91)
Net benefit expense:		
Long-term disability and health and welfare expense	16,932	16,192
Interest expense	2,977	3,072
Expected return on assets	(3,266)	(3,150)
Actuarial gain	(1,764)	(1,143)
Net benefit expense	14,879	14,971
Contributions to the plan	(20,169)	(19,591)
Long-term disability and health and welfare benefits asset, end of year	\$ (10,001)	\$ (4,711)
Benefits paid to claimants	\$ (21,238)	\$ (16,794)

Plan assets consist of:

	2022	2021
Debt securities	42%	39%
Foreign equities	36%	35%
Equity securities and other	22%	26%
Total	100%	100%

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

5. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

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

	2022	2021
Accrued benefit asset as at March 31:		
Discount rate	5.10%	5.30%
Rate of benefit increase	2.00%	2.00%
Benefit cost for years ended March 31:		
Discount rate	5.10%	5.30%
Rate of compensation increase	2.00%	2.00%
Expected future inflationary increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.10%	5.30%

Actual rate of return on plan assets was 8.83% for the year ended December 31, 2021 (2020 - 9.17%).

(ii) Joint Benefit Trusts:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. As these are multi-employer defined contribution plans, contributions are expensed when due and payable. During the year ended March 31, 2022, Providence made contributions to these joint benefit trusts totaling \$15.4 million (2021 - \$14.5 million).

(b) 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, 2021 and extrapolated to March 31, 2022 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2022 are derived. The next required valuation will be as of December 31, 2022.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

5. Employee benefits (continued):

(b) Retirement allowance (continued):

Information about retirement allowance benefits are as follows:

	2022	2021
Accrued benefit obligation:		
Severance benefits	\$ 19,914	\$ 28,565
Sick leave benefits	24,388	19,735
	44,302	48,300
Unamortized actuarial gain	4,396	742
Accrued benefit liability	\$ 48,698	\$ 49,042

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

	2022	2021
Accrued benefit liability, beginning of year	\$ 49,042	\$ 49,917
Net benefit expense:		
Current service cost	3,284	2,966
Interest expense	1,545	1,747
Amortization of actuarial gain	(686)	(867)
Net benefit expense	4,143	3,846
Benefits paid	(4,487)	(3,941)
Liability derecognized on change in control of Providence Living (note 21)	-	(780)
Accrued benefit liability, end of year	\$ 48,698	\$ 49,042

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

5. Employee benefits (continued):

(b) Retirement allowance (continued):

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

	2022	2021
Accrued benefit obligation as at March 31:		
Discount rate	3.16%	3.14%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.14%	3.79%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increase	2.00%	2.00%

(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 \$39.4 million (2021 - \$39.5 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, 2018 indicated a funding surplus of approximately \$2,866.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 220,000 active members, of which approximately 7,180 are employees of Providence (2021 - 6,884). The next expected actuarial valuation date will be as of December 31, 2021 with results available in fall 2022.

Employer contributions to the Public Service Pension Plan of \$0.1 million (2021 - \$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, 2021, indicated a surplus of approximately \$2,667.0 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 68,000 active members, of which approximately 12 are employees of Providence (2021 - 13). The next expected actuarial valuation date will be as of March 31, 2023 with results available in early 2024.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

6. Accounts payable and accrued liabilities:

	2022	2021
Trade accounts payable and accrued liabilities	\$ 203,012	\$ 69,501
Accrued salaries and benefits	62,760	56,773
Accrued vacation pay	28,030	27,364
	\$ 293,802	\$ 153,638

7. Deferred operating contributions:

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

	2022	2021
Deferred operating contributions, beginning of year	\$ 20,428	\$ 14,325
Contributions received in the year	9,031	11,648
Amount recognized as revenue in the year	(4,282)	(5,519)
Contributions derecognized on change in control of Providence Living (note 21)	-	(26)
Deferred operating contributions, end of year	\$ 25,177	\$ 20,428

8. Debt:

	2022	2021
MCAP Financial Corporation Mortgage for the Honoria Conway at St. Vincent's Heather site, interest at 3.22% per annum, renewal date of June 1, 2024, secured by first charge on properties, payable in blended payments of \$48,153 per month	\$ 8,999	\$ 9,284

Required blended payments on the mortgage for the years ending March 31, assuming the mortgage will be renewed on the June 1, 2024 renewal date, are as follows:

2023	\$	578
2024		578
2025		578
2026		578
2027		578
Thereafter		9,582
		12,472
Less: interest		(3,473)
	\$	8,999

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

9. Replacement reserves:

The replacement reserves of \$0.8 million as of March 31, 2022 (2021 - \$0.9 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.

10. Deferred capital contributions:

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

	2022	2021
Deferred capital contributions, beginning of year	\$ 974,901	\$ 172,427
Capital contributions received:		
Vancouver Coastal Health Authority	38,568	64,133
St. Paul's Foundation of Vancouver	3,834	8,597
Providence Research	159	310
Disposal of Burrard Street property (a)	-	847,571
Accretion of (discount from) present value of Burrard Street property sale proceeds receivable (a)	7,366	(46,928)
Other	7,359	6,798
	57,286	880,481
Amortization for the year (b)	(28,485)	(61,965)
Contributions derecognized on change in control of Providence Living (note 21)	-	(16,042)
Deferred capital contributions, end of year	\$ 1,003,702	\$ 974,901

(a) In fiscal 2020/2021, Providence recognized deferred capital contributions of \$847.5 million related to the sale of the Burrard Street property (note 4). The capital contribution is adjusted annually to reflect the accretion of the sale proceeds receivable.

(b) Included in the amortization of deferred capital contributions for fiscal 2020/2021 is \$37.7 million of unamortized capital contributions recognized as revenue for the Burrard Street property (note 4).

Deferred capital contributions are comprised of the following:

	2022	2021
Contributions used to purchase tangible capital assets (note 12)	\$ 407,519	\$ 95,344
Unspent contributions	596,183	879,557
	\$ 1,003,702	\$ 974,901

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

11. Inventories held for use:

	2022		2021	
Pharmaceuticals	\$	8,197	\$	8,197
Medical supplies		662		737
	\$	8,859	\$	8,934

12. Tangible capital assets:

Cost	2021	Additions	Disposals	Transfers	2022
Land	\$ 46,416	\$ -	\$ -	\$ -	\$ 46,416
Land improvements	364	-	-	-	364
Buildings and building improvements	119,910	-	-	9,593	129,503
Equipment	247,896	15,538	(18,933)	3,572	248,073
Information systems	52,388	2,413	(11)	548	55,338
Leasehold improvements	26,705	-	-	3,247	29,952
Construction and equipment in progress	30,364	322,987	-	(16,960)	336,391
Total	\$ 524,043	\$ 340,938	\$ (18,944)	\$ -	\$ 846,037

Accumulated amortization	2021	Amortization	Disposals	Transfers	2022
Land improvements	\$ 258	\$ 6	\$ -	\$ -	\$ 264
Buildings and building improvements	87,822	12,861	-	-	100,683
Equipment	221,171	11,085	(18,933)	-	213,323
Information systems	44,057	3,540	(11)	-	47,586
Leasehold improvements	19,433	1,835	-	-	21,268
Total	\$ 372,741	\$ 29,327	\$ (18,944)	\$ -	\$ 383,124

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2022

12. Tangible capital assets (continued):

Cost	2020	Additions	Disposals (a), (b)	Transfers (c)	2021
Land	\$ 56,772	\$ -	\$ (10,342)	\$ (14)	\$ 46,416
Land improvements	364	-	-	-	364
Buildings and building improvements	405,450	22	(254,470)	(31,092)	119,910
Equipment	246,090	11,779	(3,111)	(6,862)	247,896
Information systems	50,012	3,304	(11)	(917)	52,388
Leasehold improvements	20,437	-	-	6,268	26,705
Construction and equipment in progress	15,954	26,795	-	(12,385)	30,364
Total	\$ 795,079	\$ 41,900	\$ (267,934)	\$ (45,002)	\$ 524,043

Accumulated amortization	2020	Amortization	Disposals (b)	Transfers (c)	2021
Land improvements	\$ 253	\$ 5	\$ -	\$ -	\$ 258
Buildings and building improvements	322,938	10,702	(216,806)	(29,012)	87,822
Equipment	219,141	10,847	(3,111)	(5,706)	221,171
Information systems	42,656	2,564	(11)	(1,152)	44,057
Leasehold improvements	17,792	1,641	-	-	19,433
Total	\$ 602,780	\$ 25,759	\$ (219,928)	\$ (35,870)	\$ 372,741

Net book value	2022	2021
Land	\$ 46,416	\$ 46,416
Land improvements	100	106
Buildings and building improvements	28,820	32,088
Equipment	34,750	26,725
Information systems	7,752	8,331
Leasehold improvements	8,684	7,272
Construction and equipment in progress	336,391	30,364
Total	\$ 462,913	\$ 151,302

PROVIDENCE HEALTH CARE SOCIETY

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Year ended March 31, 2022

12. Tangible capital assets (continued):

- (a) Included in disposals for the 2020/2021 fiscal year is \$10.1 million (note 14(b)) of land dedicated to the City of Vancouver (the "City") as a condition of the rezoning application for the Station Street site for the extension of the road network surrounding and through the site. The land dedication was a non-reciprocal condition of the City approving the rezoning plan for the site in fiscal 2020/2021. The loss on the land dedication was a non-cash transaction and was recorded as an expense in the consolidated statement of operations and accumulated deficit in fiscal 2020/2021.
- (b) Included in disposals for the 2020/2021 fiscal year is tangible capital assets derecognized for the sale of the Burrard Street property with total net book value of \$37.9 million (notes 4).
- (c) Included in transfers for the 2020/2021 fiscal year is tangible capital assets derecognized on the change in control of Providence Living with total net book value of \$9.1 million (note 21).
- (d) Included in additions of construction and equipment in progress for the 2021/22 fiscal year is \$305.1 million for the new St. Paul's Hospital site. Deferred capital contributions from the sale of the Burrard Street property are being utilized to fund the assets, but the deferred capital contributions will not be amortized until the related tangible capital assets are put into service. As at March 31, 2022, included in accounts payable and accrued liabilities is \$117.9 million of capitalized costs pertaining to a Design Build Finance (DBf) agreement, which will be paid by Providence on substantial completion of the new St. Paul's Hospital.

Tangible capital assets are funded as follows:

	2022	2021
Deferred capital contributions (note 10)	\$ 407,519	\$ 95,344
Internally funded	46,395	46,674
Debt (note 8)	8,999	9,284
Tangible capital assets	\$ 462,913	\$ 151,302

13. Commitments and contingencies:

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

As at March 31, 2022, Providence has outstanding commitments for construction, equipment and information systems in progress of \$8.5 million (2021 - \$6.5 million).

In addition, in fiscal 2020/2021 Providence entered into a construction contract for the new St. Paul's Hospital on the Station Street site. The outstanding commitment as at March 31, 2022 is \$1,466.1 million (2021 - \$1,744.0 million).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2022

13. Commitments and contingencies (continued):

(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:

2023	\$ 31,243
2024	9,070
2025	5,452
2026	1,128
	<hr/>
	\$ 46,893

(c) Operating leases:

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

2023	\$ 15,775
2024	15,177
2025	14,800
2026	14,467
2027	13,844
Thereafter	21,323
	<hr/>
	\$ 95,386

Included in the operating lease payments is \$42.7 million for the leaseback of the Burrard Street property (note 4).

(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, 2022, 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

13. Commitments and contingencies (continued):

(e) Letter of credit:

As at March 31, 2022, Providence has issued three letters of credit to the City of Vancouver for a total of \$5.9 million (2021 - \$1.5 million), of which \$2.0 million expires in June 2022, \$2.4 million expires in October 2022 and \$1.5 million expires in January 2023.

14. Consolidated statement of operations:

(a) Patients, clients and residents revenues:

	2022	2021
Non-residents of BC	\$ 14,178	\$ 11,209
Long-term care and extended care	10,630	10,510
Non-residents of Canada	7,677	4,626
WorkSafe BC	2,907	2,698
Residents of BC self-pay	606	605
Federal government	341	322
Preferred accommodation	73	126
Other	3,135	2,444
	<hr/>	<hr/>
	\$ 39,547	\$ 32,540

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

14. Consolidated statement of operations (continued):

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

	2022	2021
Compensation:		
Compensation	\$ 591,708	\$ 567,441
Employee benefits	118,860	111,803
Gain on event-driven employee benefits	(1,764)	(1,143)
	708,804	678,101
Referred out and contracted services:		
Other health authorities and BC government reporting entities (notes 16(a) and (c))	84,928	79,283
Health and support services providers	61,045	46,851
	145,973	126,134
Supplies:		
Drugs and medical gases	111,827	104,795
Medical and surgical	66,299	58,957
Diagnostic	21,605	21,056
Laundry and linen	3,154	4,757
Printing, stationery and office	1,697	1,560
Housekeeping	1,217	1,560
Food and dietary	873	823
Other	10,061	11,677
	216,733	205,185
Equipment and building services:		
Rent	16,136	9,639
Equipment	15,952	16,823
Plant operations (utilities)	6,608	5,916
Building and grounds service contracts	2,344	2,051
Other	3,671	3,689
	44,711	38,118
Amortization of tangible capital assets (note 12)	29,327	25,759
Sundry:		
Professional fees	14,818	19,852
Patient transport	1,943	1,761
Communications and data processing	1,444	1,742
Travel	1,283	1,455
Other	12,512	7,558
	32,000	32,368
Disposal of Burrard Street property (notes 4 and 12(b))	-	37,935
Loss on Station Street site land transfer (note 12(a))	-	10,071
Interest on debt and demand loan	292	501
	292	48,507
	\$ 1,177,840	\$ 1,154,172

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

15. Supplementary cash flow information:

Net change in non-cash operating items:

	2022	2021
Accounts receivable	\$ (881)	\$ (40,847)
Accounts payable and accrued liabilities	22,216	16,150
Deferred operating contributions	4,749	6,129
Replacement reserves	(105)	155
Prepaid expenses	244	2,574
Inventories held for use	75	2,043
	<u>\$ 26,298</u>	<u>\$ (13,796)</u>

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:

Providence is related to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Included in referred out and contracted services expenses, as outlined in note 14(b), are amounts measured at the exchange amount, which is the amount established and agreed to by the related parties. These values may be different from that which would have been arrived at if the parties were unrelated.

(b) Key management personnel and their close family members:

Providence has deemed the Board of Directors and Senior Leadership Team to be key management personnel based on the definition in PS 2200, *Related party disclosures*. Key management personnel confirm annually, through the completion of a declaration, whether there are any related party transactions with Providence for themselves and their close family members.

(c) Provincial Health Services Authority and Vancouver Coastal Health Authority:

Providence accesses the services provided by Provincial Health Services Authority ("PHSA") through an agreement with VCHA whereby Providence appoints VCHA as its agent in connection with the provision of services in order to improve cost effectiveness by working collaboratively on common services. PHSA is a BC government reporting entity (note 16(a)) and transactions with PHSA are included in note 14(b).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

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, accounts receivable and sale proceeds 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.

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, 2022, the amount of allowance for doubtful accounts was \$14.0 million (2021 - \$14.0 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.

The sale proceeds receivable is fully secured by a mortgage on the related property (note 4).

(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.

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.

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

2022		Up	1 to	Over	
Financial assets		to 1 year	5 years	5 years	Total
Cash and cash equivalents	\$	111,890	\$ -	\$ -	\$ 111,890
Accounts receivable		81,024	-	-	81,024
Sale proceeds receivable		-	-	610,438	610,438
Total financial assets	\$	192,914	\$ -	\$ 610,438	\$ 803,352

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

17. Risk management (continued):

(b) Liquidity risk (continued):

2022 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 175,854	\$ 117,948	\$ -	\$ 293,802
Debt	294	1,276	7,429	8,999
Total liabilities	\$ 176,148	\$ 119,224	\$ 7,429	\$ 302,801

2021 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 183,480	\$ -	\$ -	\$ 183,480
Accounts receivable	80,143	-	-	80,143
Sale proceeds receivable	74,780	-	603,292	678,072
Total financial assets	\$ 338,403	\$ -	\$ 603,292	\$ 941,695

2021 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 153,638	\$ -	\$ -	\$ 153,638
Debt	285	1,236	7,763	9,284
Total liabilities	\$ 153,923	\$ 1,236	\$ 7,763	\$ 162,922

VCHA provides the principal source of funding for Providence through the ongoing annual operating grants received from the Ministry.

(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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

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:

	2022	2021
US dollar per Canadian dollar	\$ 0.800	\$ 0.795

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.

There has been no change to the risk exposure from the prior period.

18. Budget figures:

The preliminary budget, as approved by the Board of Directors, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The reallocations were approved by Providence's Board of Directors on September 22, 2021. The changes are as follows:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 657,918	\$ 2,277	\$ 660,195
Recoveries from other health authorities and BC government reporting entities	109,043	5,153	114,196
Pharmacare	114,700	301	115,001
Medical Services Plan	93,557	158	93,715
Patients, clients and residents	33,416	919	34,335
Amortization of deferred capital contributions	27,898	-	27,898
Other	15,175	384	15,559
	<u>1,051,707</u>	<u>9,192</u>	<u>1,060,899</u>
Expenses:			
Acute	827,017	291	827,308
Corporate	68,500	8,805	77,305
Long-term care	66,082	546	66,628
Mental health and substance use	71,394	(523)	70,871
Community care	18,714	73	18,787
	<u>1,051,707</u>	<u>9,192</u>	<u>1,060,899</u>
Annual surplus (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

19. Contractual rights:

Providence has contractual rights from an agreement for approximately \$140,000 per annum ending in December 31, 2025 which is reimbursement for utilities, waste removal services, housekeeping, repair and maintenance and other similar items.

20. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2022, Providence paid total remuneration of \$3.2 million (2021 - \$2.9 million) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Providence paid \$0.1 million (2021 - nil) of remuneration to its Board of Directors.

21. Change in control of Providence Living:

Effective April 1, 2020, Providence Living operated independently from Providence and has continued its work as a distinct faith-based, non-profit organization providing compassionate care to the senior's population. The following balances of Providence Living previously included were derecognized from Providence's consolidated financial statements as at April 1, 2020:

Assets:	
Cash and cash equivalents	\$ 9,171
Accounts receivable	547
Prepaid expenses	9
Inventories held for use	21
Tangible capital assets	9,132
	<hr/>
	18,880
Liabilities:	
Accounts payable and accrued liabilities	1,766
Deferred operating contributions	26
Retirement allowance	780
Deferred capital contributions	16,042
	<hr/>
	18,614
Loss on change in control	\$ 266

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2022

22. Subsequent events:

(a) Fiscal agency loan agreement:

In fiscal 2022/2023, Providence entered into a fiscal agency loan agreement with the Provincial Treasury division of the BC Ministry of Finance. This agreement allows Providence to obtain interim financing up to a maximum of \$625.0 million for the capital costs of the new St. Paul's Hospital site. The debt will be repaid when the remaining Burrard Street property sales proceeds are received, which is anticipated to be in July 2027 (note 4). The Ministry of Health will provide a restricted capital grant of \$37.0 million to offset the estimated interest expense related to the debt.

(b) Housekeeping and food services repatriation:

On August 30, 2021, the Ministry of Health announced that under Bill 47 (Health Sector Statutes Repeal Act), it will start a phased approach to repatriate commercial housekeeping and food service contracts in acute care facilities across the province. This includes workers who currently provide housekeeping and food services to Providence through contracted out services. The transition to in-house services is expected to begin in July 2022 for food services and October 2022 for housekeeping.

23. Comparative information:

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