

Consolidated Financial Statements
(Expressed in thousands of dollars)

PROVIDENCE HEALTH CARE SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2023



**Providence
Health Care**

How you want to be treated.

STATEMENT OF MANAGEMENT RESPONSIBILITY

These consolidated financial statements of Providence Health Care Society (“Providence”) for the year ended March 31, 2023 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 these 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:

Fiona Dalton
President and Chief Executive Officer

Brian Simmers
Chief Financial Officer and Vice-President,
Health Informatics and Corporate Development

Vancouver, Canada
June 14, 2023



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INDEPENDENT AUDITOR'S 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 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, 2023
- the consolidated statement of operations and accumulated operating 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
- the consolidated statement of rereasurement gains 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, 2023 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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 these 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to these financial statements, which explains that certain comparative information presented for the year ended March 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of these financial statements for the year ended March 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended March 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for these 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 these 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.

Auditor's Responsibilities for the Audit of these Financial Statements

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

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



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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 these 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, after giving retrospective effect to the change in accounting policy as explained in Note 2 to these financial statements, on a basis consistent with that of the preceding period.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
June 14, 2023

PROVIDENCE HEALTH CARE SOCIETY

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

March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Financial assets		
Cash and cash equivalents (note 3)	\$ 79,655	\$ 111,890
Accounts receivable (note 4)	125,680	80,742
Sale proceeds receivable (note 5)	617,668	610,438
Investments	513	-
Long-term disability and health and welfare benefits (note 6(a)(i))	1,769	10,001
	825,285	813,071
Liabilities		
Accounts payable and accrued liabilities (notes 7 and 14(a))	346,280	292,469
Deferred operating contributions (note 8)	29,921	25,177
Debt (note 9)	191,578	8,999
Lease inducements	858	1,010
Retirement allowance (note 6(b))	50,146	48,698
Replacement reserves (note 10)	741	817
Deferred capital contributions (note 11)	1,032,435	1,003,702
Asset retirement obligations (note 13)	8,413	8,413
	1,660,372	1,389,285
Net debt	(835,087)	(576,214)
Non-financial assets		
Prepaid expenses	3,999	4,148
Inventories held-for-use (note 12)	8,895	8,859
Tangible capital assets (note 14)	723,963	464,891
	736,857	477,898
Accumulated deficit	\$ (98,230)	\$ (98,316)
Accumulated deficit is comprised of:		
Accumulated operating deficit	\$ (98,257)	\$ (98,316)
Accumulated remeasurement gains	27	-
	\$ (98,230)	\$ (98,316)

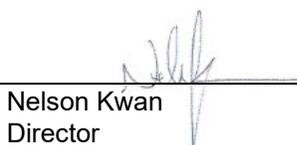
Commitments and contingencies (note 15)

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 Operating Deficit
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023 Budget (notes 1(l) and 20)	2023	2022 (Restated - note 2)
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 697,944	\$ 792,960	\$ 746,689
Recoveries from other health authorities and BC government reporting entities	112,714	137,252	120,479
Pharmacare	115,201	86,317	102,046
Medical Services Plan	96,114	99,635	105,574
Patients, clients and residents (note 16(a))	37,969	48,924	39,547
Amortization of deferred capital contributions (note 11)	31,426	29,571	28,485
Other	14,732	49,119	40,389
	<u>1,106,100</u>	<u>1,243,778</u>	<u>1,183,209</u>
Expenses: (note 16(b))			
Acute	850,468	934,443	896,649
Corporate	87,295	99,057	90,004
Long-term care	69,358	84,750	80,837
Mental health and substance use	80,039	104,162	86,240
Community care	18,940	21,307	24,329
	<u>1,106,100</u>	<u>1,243,719</u>	<u>1,178,059</u>
Annual surplus	-	59	5,150
Accumulated operating deficit, beginning of year	(98,316)	(98,316)	(98,301)
Adjustment on adoption of the asset retirement obligations standard (note 2)	-	-	(5,165)
Accumulated operating deficit, beginning of year, as restated	(98,316)	(98,316)	(103,466)
Accumulated operating deficit, end of year	<u>\$ (98,316)</u>	<u>\$ (98,257)</u>	<u>\$ (98,316)</u>

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, 2023, with comparative information for 2022

	2023 Budget (notes 1(l) and 20)	2023	2022 (Restated - note 2)
Annual surplus	\$ -	\$ 59	\$ 5,150
Acquisition of tangible capital assets	-	(290,398)	(340,938)
Amortization of tangible capital assets	31,890	31,326	29,545
	31,890	(259,013)	(306,243)
Acquisition of inventories held-for-use	-	(110,874)	(106,174)
Acquisition of prepaid expenses	-	(14,715)	(10,590)
Consumption of inventories held-for-use	-	110,838	106,249
Use of prepaid expenses	-	14,864	10,834
	-	113	319
Net remeasurement gains	-	27	-
(Increase) decrease in net debt	31,890	(258,873)	(305,924)
Net debt, beginning of year	(576,214)	(576,214)	(262,929)
Adjustment on adoption of the asset retirement obligations standard (note 2)	-	-	(7,361)
Net debt, beginning of year, as restated	(576,214)	(576,214)	(270,290)
Net debt, end of year	\$ (544,324)	\$ (835,087)	\$ (576,214)

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, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Cash flows provided by (used in):		
Operating activities:		
Annual surplus	\$ 59	\$ 5,150
Items not involving cash:		
Amortization of tangible capital assets (note 14)	31,326	29,545
Amortization of deferred capital contributions (note 11)	(29,571)	(28,485)
Amortization of lease inducements	(152)	(177)
Retirement allowance expense (note 6(b))	4,578	4,143
Long-term disability and health and welfare benefits expense (note 6(a)(i))	28,647	14,879
	34,887	25,055
Net change in non-cash operating items (note 17)	(9,333)	26,299
Retirement allowance benefits paid (note 6(b))	(3,130)	(4,487)
Long-term disability and health and welfare benefits contributions (note 6(a)(i))	(20,415)	(20,169)
Net change in cash provided by operating activities	2,009	26,698
Capital activities:		
Cash used to acquire tangible capital assets	(264,099)	(220,653)
Cash received from sale proceeds receivable (note 5)	-	75,000
Net change in cash used in capital activities	(264,099)	(145,653)
Investing activities:		
Cash used to acquire investments	(513)	-
Net change in cash used in investing activities	(513)	-
Financing activities:		
Issuance of debt	280,050	-
Repayment of debt	(98,821)	(285)
Leasehold inducements	-	67
Capital contributions received in cash (note 11)	49,139	47,583
Net change in cash provided by financing activities	230,368	47,365
Decrease in cash and cash equivalents	(32,235)	(71,590)
Cash and cash equivalents, beginning of year	111,890	183,480
Cash and cash equivalents, end of year	\$ 79,655	\$ 111,890
Non-cash transactions:		
Accretion of present value of Burrard Street property sale proceeds receivable (note 5)	7,230	7,366
Tangible capital assets pertaining to Design Build Finance payables (note 14(a))	22,987	117,948
Contributed tangible capital assets received	1,935	2,337
Accrued interest expense capitalized	1,377	-

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Consolidated Statement of Remeasurement Gains
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Accumulated remeasurement gains, beginning of year	\$ -	\$ -
Unrealized gains from:		
Foreign exchange on debt and foreign currency swaps	113	-
Realized gains capitalized to tangible capital assets:		
Foreign exchange on debt and foreign currency swaps	(86)	-
Net remeasurement gains for the year	27	-
Accumulated remeasurement gains, end of year	\$ 27	\$ -

See accompanying notes to consolidated financial statements.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

Providence Health Care Society (the “Providence”) is incorporated under the *Societies Act* (British Columbia) and is funded by the Ministry of Health of the Province of British Columbia (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 the 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 8-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.

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

These consolidated 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:

These 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 these 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 (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

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 these Consolidated Statement of Operations and Accumulated Operating Deficit and certain related deferred capital contributions in these Consolidated Statement of Financial Position would be recorded differently under PSAS.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(b) Basis of presentation and consolidation:

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of Providence Health Care Ventures (“PHCV”), which is controlled by Providence and is fully consolidated in these consolidated financial statements. Inter-organizational transactions, balances, and activities are eliminated on consolidation.

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.

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 (2022 - 12 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Employee benefits (continued):

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

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) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities.

If the tangible capital asset is in productive use, the estimated obligation is recorded as a liability and increase to the related tangible capital asset. The increase to the tangible capital asset is amortized in accordance with the amortization accounting policy outlined in note 1(g)(i). The carrying value of the liability is reviewed at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and related tangible capital asset.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Asset retirement obligations (continued):

If the tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The carrying value of the liability is reviewed at each financial reporting date with changes to the timing or amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and expense.

(g) 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 and realized gains and losses on foreign exchange swaps are capitalized over the development period whenever external debt and related foreign exchange swap 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 and building improvements	5 - 50 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 Operating Deficit. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded as deferred capital contributions 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(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.

(h) 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.

Revenue is recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenue, 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(i) 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 these 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 these consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(j) 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. For derivative agreements, foreign currency rates are secured at the time of placement.

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 Consolidated Statement of Financial Position date is recognized in the Consolidated Statement of Remeasurement Gains. In the period of settlement, the realized foreign exchange gains and losses are reversed from the Consolidated Statement of Remeasurement Gains and recognized in the Consolidated Statement of Operations and Accumulated Operating Deficit. Realized foreign exchange gains and losses related to fiscal agency loans are capitalized into tangible capital assets.

(k) 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. Investments are recorded at cost. Accounts receivables 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, except for foreign exchange swaps which are derivatives and measured at fair value.

Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations and Accumulated Operating Deficit, except for the interest expense on the fiscal agency loans (note 9(a)) which is capitalized.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(k) Financial instruments (continued):

All financial assets recorded at cost or amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Operating 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 11(a)).

Unrealized gains and losses on financial instruments carried at fair value are recognized in the Consolidated Statement of Remeasurement Gains until such time that the financial instrument is derecognized due to extinguishment, disposal or impairment. At the time of derecognition, the related realized gains and losses on financial instruments specifically for the construction and development of tangible capital assets is capitalized to the related tangible capital asset and the related balance reversed from the Consolidated Statement of Remeasurement Gains. Otherwise, realized gains and losses are reclassified to the Consolidated Statement of Operations and Accumulated Operating Deficit on derecognition.

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.

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.

(l) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's fiscal 2022/2023 preliminary budget approved by its Board of Directors on June 22, 2022. Note 20 reconciles the preliminary approved budget to the final budget reflected in the Consolidated Statement of Operations and Accumulated Operating Deficit. The budget reflected in the Consolidated Statement of Operations and Accumulated Operating Deficit for Providence was approved by its Board of Directors on September 21, 2022.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(m) Future accounting standards:

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. Change in accounting policy:

On April 1, 2022, Providence adopted Canadian public sector accounting standard PS 3280, *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, including asbestos and other hazardous materials in buildings, removal of underground fuel tanks and restoration clauses in lease agreements related to leasehold improvements. The new accounting standard was adopted using the modified retroactive transitional provisions, which results in the restatement of the comparative information as at and for the year ended March 31, 2022 as follows:

	As previously stated	Adjustment	As restated
Consolidated statement of financial position:			
Accounts receivable	\$ 81,024	\$ (282)	\$ 80,742
Accounts payable and accrued liabilities	293,802	(1,333)	292,469
Asset retirement obligations	-	8,413	8,413
Tangible capital assets	462,913	1,978	464,891
Accumulated deficit	(92,932)	(5,384)	(98,316)
Consolidated statement of operations and accumulated operating deficit:			
Acute expenses	896,441	208	896,649
Long-term care expenses	80,826	11	80,837
Annual surplus	5,369	(219)	5,150
Accumulated operating deficit, beginning of year	(98,301)	(5,165)	(103,466)
Consolidated statement of changes in net debt:			
Annual surplus	5,369	(219)	5,150
Amortization of tangible capital assets	29,327	218	29,545
Net debt, beginning of year	(262,929)	(7,361)	(270,290)
Consolidated statement of cash flows:			
Cash flows from operating activities:			
Annual surplus	5,369	(219)	5,150
Amortization of tangible capital assets	29,327	218	29,545

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

3. Cash and cash equivalents:

	2023	2022
		(Restated - note 2)
Cash and cash equivalents	\$ 79,655	\$ 111,890
Less amounts externally restricted for:		
Capital projects	(48,934)	(84,664)
Replacement reserves (note 10)	(741)	(817)
Special purpose funds	(427)	(439)
Patient comfort funds	(260)	(223)
Deferred Salary Leave Plan	(39)	(8)
Unrestricted cash and cash equivalents	\$ 29,254	\$ 25,739

4. Accounts receivable:

	2023	2022
		(Restated - note 2)
Vancouver Coastal Health Authority	\$ 88,819	\$ 51,499
Patients, clients and residents	17,859	16,318
Other health authorities and BC government reporting entities	16,347	11,381
St. Paul's Foundation of Vancouver	7,946	3,453
Federal government	3,098	3,994
Medical Services Plan	2,282	1,655
Pharmacare	-	93
Ministry of Health	-	66
Other	4,003	6,342
	140,354	94,801
Allowance for doubtful accounts	(14,674)	(14,059)
	\$ 125,680	\$ 80,742

5. 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.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

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

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. As at March 31, 2023, the total lease payments for the remaining lease term are \$34.7 million (2022 - \$42.7 million) (note 15(c)) and will be recorded as expenses as incurred. Providence will maintain possession of the Burrard Street property until the end of the lease term. It is anticipated that the hospital operations will be transferred to the new St. Paul's Hospital site in 2027, with the remaining functions to be transferred before the expiry of the lease term.

Providence recorded \$847.5 million of the sale proceeds as deferred capital contributions 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 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. 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 \$46.9million was recorded net of the deferred capital contribution for the sale proceeds. In fiscal 2022/2023, the accretion recorded on the sale proceeds receivable was \$7.2 million (2022 - \$7.4 million) (note 11(a)). The total discounted sale proceeds receivable as at March 31, 2023 is \$617.7 million (2022 - \$610.4 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.

6. 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 claims ("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 employer be unable to meet their obligation to contribute to the Trust.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

6. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

(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, 2023 are based on the actuarial valuation at December 31, 2022, extrapolated to March 31, 2023. The next valuation will be as of December 31, 2023.

The fair value of plan assets below represents the market value of assets at December 31, 2022, the measurement date of the plan.

The long-term disability and health and welfare benefits asset reported on the Consolidated Statement of Financial Position is as follows:

	2023	2022
Accrued benefit obligation	\$ 58,020	\$ 55,982
Fair value of plan assets	(59,789)	(65,983)
Long-term disability and health and welfare benefits asset	\$ (1,769)	\$ (10,001)
	2023	2022
Long-term disability and health and welfare benefits asset, beginning of year	\$ (10,001)	\$ (4,711)
Net benefit expense:		
Long-term disability and health and welfare expense	19,443	16,932
Interest expense	2,832	2,977
Expected return on assets	(3,334)	(3,266)
Actuarial loss (gain)	9,706	(1,764)
Net benefit expense	28,647	14,879
Contributions to the plan	(20,415)	(20,169)
Long-term disability and health and welfare benefits asset, end of year	\$ (1,769)	\$ (10,001)
Benefits paid to claimants	\$ (22,207)	\$ (21,238)

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

6. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

Plan assets consist of:

	2023	2022
Debt securities	35%	42%
Foreign equities	34%	36%
Equity securities and other	31%	22%
Total	100%	100%

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

	2023	2022
Accrued benefit asset as at March 31:		
Discount rate	5.90%	5.10%
Rate of benefit increase:		
2021/2022 (retroactive impact determined in 2022/2023)	4.17%	2.00%
2022/2023	7.00%	-
2023/2024	3.00%	-
2024/2025 and future years	2.25%	-
Benefit cost for years ended March 31:		
Discount rate	5.10%	5.10%
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	5.90%	5.10%

Actual rate of return on plan assets was a loss of 5.88% for the year ended December 31, 2022 (2021 - 8.83%).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

6. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

(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, 2023, Providence made contributions to these joint benefit trusts totaling \$17.7 million (2022 - \$15.4 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, 2022 and extrapolated to March 31, 2023 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2023 are derived. The next full actuarial valuation will be performed with a valuation date no later than December 31, 2024.

Information about retirement allowance benefits are as follows:

	2023	2022
Accrued benefit obligation:		
Severance benefits	\$ 21,205	\$ 19,914
Sick leave benefits	25,123	24,388
	46,328	44,302
Unamortized actuarial gain	3,818	4,396
Accrued benefit liability	\$ 50,146	\$ 48,698

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

6. Employee benefits (continued):

(b) Retirement allowance (continued):

The accrued benefit liability for retirement allowance reported on the Consolidated Statement of Financial Position is as follows:

	2023	2022
Accrued benefit liability, beginning of year	\$ 48,698	\$ 49,042
Net benefit expense:		
Current service cost	3,930	3,284
Interest expense	1,436	1,545
Amortization of actuarial gain	(788)	(686)
	4,578	4,143
Benefits paid	(3,130)	(4,487)
Accrued benefit liability, end of year	\$ 50,146	\$ 48,698

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

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase:		
2021/2022 (retroactive impact determined in 2022/2023)	4.17%	2.50%
2022/2023	7.00%	-
2023/2024	3.00%	-
2024/2025 and future years	2.50%	-
Benefit costs for years ended March 31:		
Discount rate	3.16%	3.14%
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 Public Service Pension Plan (jointly trustee pension plans). The Boards of Trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula.

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

6. Employee benefits (continued):

(c) Employee pension benefits (continued):

Every 3-years, an actuarial valuation is performed to assess the financial position of the plans and the adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

Employer contributions to the Municipal Pension Plan of \$39.9 million (2022 - \$39.4 million) were expensed during the year. The most recent actuarial valuation for the plan at December 31, 2021 indicated a funding surplus of approximately \$3,761.0 million for basic pension benefits on a going concern basis. As at December 31, 2022, the Municipal Pension Plan has about 240,000 active members, of which approximately 7,761 are employees of Providence (2022 - 7,180). The plan has approximately 124,000 retired members. The next expected actuarial valuation date will be as of December 31, 2024 with results available in 2025.

Employer contributions to the Public Service Pension Plan of \$0.1 million (2022 - \$0.1 million) were expensed during the year. The latest actuarial valuation for the plan at March 31, 2020, indicated a funding surplus of \$2,667.0 million for basic pension benefits on a going concern basis. As at March 31, 2022, the Public Service Pension Plan has about 68,000 active members, of which approximately 9 are employees of Providence (2022 - 12). The plan has approximately 54,000 retired members. The next expected actuarial valuation date will be as of March 31, 2023 with results expected in 2024.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

7. Accounts payable and accrued liabilities:

	2023	2022
		(Restated - note 2)
Trade accounts payable and accrued liabilities	\$ 229,689	\$ 201,679
Accrued salaries and benefits	85,827	62,760
Accrued vacation pay	30,764	28,030
	<u>\$ 346,280</u>	<u>\$ 292,469</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

8. Deferred operating contributions:

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

	2023	2022
Deferred operating contributions, beginning of year	\$ 25,177	\$ 20,428
Contributions received in the year	10,915	9,031
Amount recognized as revenue in the year	(6,171)	(4,282)
Deferred operating contributions, end of year	\$ 29,921	\$ 25,177

9. Debt:

(a) Fiscal agency loans:

In 2022/2023, Providence entered into a fiscal agency loan agreement with the Ministry of Finance of the Province of BC to obtain interim financing of up to a maximum of \$625.0 million for the capital costs of the new St. Paul's Hospital site. The fiscal agency loans are issued in multiple tranches generally with maturities of less than 6-months. Some fiscal agency loans are denominated in US dollars ("USD"), and for which Providence will concurrently enter into a foreign exchange swap contract to fix the Canadian dollar amount due on settlement of the related USD denominated fiscal agency loan.

As at March 31, 2023, Providence has \$182.9 million of loans outstanding of which \$17.3 million is denominated in US dollars (USD\$12.8 million). As at March 31, 2023, Providence also has a foreign currency swap on the USD loan with a fair value of \$0.03 million unrealized gain. The unrealized foreign exchange gain has been recognized in the Consolidated Statement of Remeasurement Gains.

The loans mature within 6 months of the financial reporting date and have various interest rates ranging from 4.24% to 4.52% per annum. Interest expense, including realized foreign currency gain, of \$2.7 million is capitalized as a cost of the new St. Paul's Hospital tangible capital assets.

The fiscal agency loans are secured by a mortgage on the Station Street hospital site land parcel.

(b) Other debt:

	2023	2022
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	\$ 8,705	\$ 8,999

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

9. Debt (continued):

(b) Other debt (continued):

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:

2024	\$	578
2025		578
2026		578
2027		578
2028		578
Thereafter		9,004
		<u>11,894</u>
Less: interest		(3,189)
	\$	<u>8,705</u>

10. Replacement reserves:

The replacement reserves of \$0.7 million as of March 31, 2023 (2022 - \$0.8 million) represent the accumulated provision specified by the British Columbia Housing Commission and are funds for replacement of appliances and equipment for the benefit of Honoria Conway at St. Vincent's Heather.

11. Deferred capital contributions:

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

	2023	2022
Deferred capital contributions, beginning of year	\$ 1,003,702	\$ 974,901
Capital contributions received:		
Vancouver Coastal Health Authority	41,015	38,568
St. Paul's Foundation of Vancouver	3,859	3,834
Providence Research	-	159
Accretion of present value of Burrard Street property sale proceeds receivable (a)	7,230	7,366
Other	6,200	7,359
	<u>58,304</u>	<u>57,286</u>
Amortization for the year	(29,571)	(28,485)
Deferred capital contributions, end of year	<u>\$ 1,032,435</u>	<u>\$ 1,003,702</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

11. Deferred capital contributions (continued):

(a) In fiscal 2020/2021, Providence recognized deferred capital contributions of \$847.5 million related to the sale of the Burrard Street property (note 5). The capital contribution is adjusted annually to reflect the accretion of the sale proceeds receivable.

Deferred capital contributions are comprised of the following:

	2023	2022
Contributions used to purchase tangible capital assets (note 14) \$	665,777	\$ 407,519
Unspent contributions	366,658	596,183
	\$ 1,032,435	\$ 1,003,702

12. Inventories held-for-use:

	2023	2022
Pharmaceuticals	\$ 8,066	\$ 8,197
Medical supplies	829	662
	\$ 8,895	\$ 8,859

13. Asset retirement obligations:

Providence's asset retirement obligations include asbestos and other hazardous materials in buildings, removal of underground fuel tanks and restoration clauses in lease agreements for leasehold improvements.

	Asbestos and other hazardous materials	Fuel tanks	Leasehold improvements	Total
Balance, April 1, 2021	\$ -	\$ -	\$ -	\$ -
Adjustment on adoption of the asset retirement obligation standard (note 2)	6,110	300	2,003	8,413
Balance, March 31, 2022 and March 31, 2023	\$ 6,110	\$ 300	\$ 2,003	\$ 8,413

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

14. Tangible capital assets:

Cost	2022	Additions	Disposals	Transfers	2023
	(Restated - note 2)	(a)			
Land	\$ 46,416	\$ -	\$ -	\$ -	\$ 46,416
Land improvements	364	-	(117)	1,033	1,280
Buildings and building improvements	135,838	-	-	14,274	150,112
Equipment	248,073	10,472	(19,461)	401	239,485
Information systems	55,338	1,939	(1,184)	444	56,537
Leasehold improvements	31,765	-	-	8,677	40,442
Construction and equipment in progress	336,391	277,987	-	(24,829)	589,549
	\$ 854,185	\$ 290,398	\$ (20,762)	\$ -	\$ 1,123,821

Accumulated amortization	2022	Amortization	Disposals	Transfers	2023
	(Restated - note 2)				
Land improvements	\$ 264	\$ 42	\$ (117)	\$ -	\$ 189
Buildings and building improvements	105,441	10,257	-	-	115,698
Equipment	213,323	13,152	(19,461)	-	207,014
Information systems	47,586	5,217	(1,184)	-	51,619
Leasehold improvements	22,680	2,658	-	-	25,338
	\$ 389,294	\$ 31,326	\$ (20,762)	\$ -	\$ 399,858

Cost	2021	Additions	Disposals	Transfers	2022
	(Restated - note 2)	(a)			(Restated - note 2)
Land	\$ 46,416	\$ -	\$ -	\$ -	\$ 46,416
Land improvements	364	-	-	-	364
Buildings and building improvements	126,245	-	-	9,593	135,838
Equipment	247,896	15,538	(18,933)	3,572	248,073
Information systems	52,388	2,413	(11)	548	55,338
Leasehold improvements	28,518	-	-	3,247	31,765
Construction and equipment in progress	30,364	322,987	-	(16,960)	336,391
	\$ 532,191	\$ 340,938	\$ (18,944)	\$ -	\$ 854,185

Accumulated amortization	2021	Amortization	Disposals	Transfer	2022
	(Restated - note 2)	(a)			(Restated - note 2)
Land improvements	\$ 258	\$ 6	\$ -	\$ -	\$ 264
Buildings and building improvements	92,423	13,018	-	-	105,441
Equipment	221,171	11,085	(18,933)	-	213,323
Information systems	44,057	3,540	(11)	-	47,586
Leasehold improvements	20,784	1,896	-	-	22,680
	\$ 378,693	\$ 29,545	\$ (18,944)	\$ -	\$ 389,294

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

14. Tangible capital assets (continued):

Net book value	2023	2022
		(Restated - note 2)
Land	\$ 46,416	\$ 46,416
Land improvements	1,091	100
Buildings and building improvements	34,414	30,397
Equipment	32,471	34,750
Information systems	4,918	7,752
Leasehold improvements	15,104	9,085
Construction and equipment in progress	589,549	336,391
	\$ 723,963	\$ 464,891

(a) Included in additions of construction and equipment in progress for the 2022/23 fiscal year is \$257.5 million (2022 - \$305.1 million) for the new St. Paul's Hospital site. Deferred capital contributions from the sale of the Burrard Street property and Ministry restricted capital grants 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, 2023, included in accounts payable and accrued liabilities is \$140.9 million (2022 - \$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:

	2023	2022
		(Restated - note 2)
Deferred capital contributions (note 11)	\$ 665,777	\$ 407,519
Internally funded	49,481	48,373
Debt (note 9(b))	8,705	8,999
Tangible capital assets	\$ 723,963	\$ 464,891

15. Commitments and contingencies:

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

As at March 31, 2023, Providence has outstanding commitments for construction, equipment and information systems in progress of \$7.9 million (2022 - \$8.5 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, 2023 is \$1,238.7 million (2022 - \$1,466.1 million).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

15. 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:

2024	\$ 55,338
2025	16,183
2026	8,549
2027	4,911
	<hr/>
	\$ 84,981

(c) Operating leases:

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

2024	\$ 16,356
2025	15,749
2026	15,113
2027	14,432
2028	9,030
Thereafter	13,251
	<hr/>
	\$ 83,931

Included in the operating lease payments is \$34.7 million (2022 - \$42.7 million) for the leaseback of the Burrard Street property (note 5).

(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, 2023, 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 (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

15. Commitments and contingencies (continued):

(e) Letter of credit:

As at March 31, 2023, Providence has issued three letters of credit to the City of Vancouver for a total of \$5.9 million (2022 - \$5.9 million), of which \$2.0 million expires in June 2023, \$2.4 million expires in October 2023 and \$1.5 million expires in January 2024.

16. Consolidated statement of operations:

(a) Patients, clients and residents revenues:

	2023	2022
Non-residents of BC	\$ 15,153	\$ 14,178
Non-residents of Canada	13,906	7,677
Long-term care and extended care	11,829	10,630
WorkSafe BC	3,554	2,907
Residents of BC self-pay	1,002	606
Federal government	461	341
Preferred accommodation	97	73
Other	2,922	3,135
	<hr/>	<hr/>
	\$ 48,924	\$ 39,547

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

16. Consolidated statement of operations (continued):

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

	2023	2022
		(Restated - note 2)
Compensation:		
Compensation	\$ 637,347	\$ 591,708
Employee benefits	133,528	118,860
Loss (gain) on event-driven employee benefits	9,706	(1,764)
	780,581	708,804
Referred out and contracted services:		
Other health authorities and BC government reporting entities (notes 18(a) and (c))	99,778	86,885
Health and support services providers	55,567	61,045
	155,345	147,930
Supplies:		
Drugs and medical gases	94,548	111,827
Medical and surgical	67,501	66,299
Diagnostic	16,614	21,605
Laundry and linen	2,310	3,154
Printing, stationery and office	1,919	1,697
Food and dietary	1,039	873
Housekeeping	840	1,217
Other	10,384	10,061
	195,155	216,733
Equipment and building services:		
Equipment	15,859	13,995
Rent	16,267	16,146
Plant operations	6,976	6,608
Building and grounds service contracts	2,818	2,344
Other	3,689	3,671
	45,609	42,764
Amortization of tangible capital assets (note 14)	31,326	29,545
Sundry:		
Professional fees	14,803	14,818
Travel	1,977	1,283
Patient transport	1,922	1,943
Communications and data processing	1,499	1,444
Other	15,219	12,503
	35,420	31,991
Interest on debt	283	292
	\$ 1,243,719	\$ 1,178,059

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

17. Supplementary cash flow information:

Net change in non-cash operating items:

	2023	2022
Accounts receivable	\$ (44,938)	\$ (880)
Accounts payable and accrued liabilities	30,824	22,216
Deferred operating contributions	4,744	4,749
Replacement reserves	(76)	(105)
Prepaid expenses	149	244
Inventories held-for-use	(36)	75
	\$ (9,333)	\$ 26,299

18. 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 16(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 18(a)) and transactions with PHSA are included in note 16(b).

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

19. 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, 2023, the amount of allowance for doubtful accounts was \$14.7 million (2022 - \$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 5).

(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, future funding from the Ministry and issuance of debt.

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:

2023	Up	1 to	Over	Total
Financial assets	to 1 year	5 years	5 years	
Cash and cash equivalents	\$ 79,655	\$ -	\$ -	\$ 79,655
Accounts receivable	125,680	-	-	125,680
Sale proceeds receivable	-	617,668	-	617,668
Total financial assets	\$ 205,335	\$ 617,668	\$ -	\$ 823,003

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

19. Risk management (continued):

(b) Liquidity risk (continued):

2023 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 205,345	\$ 140,935	\$ -	\$ 346,280
Debt	183,177	1,317	7,084	191,578
Total liabilities	\$ 388,522	\$ 142,252	\$ 7,084	\$ 537,858

2022 Financial assets	Up to 1 year (Restated - note 2)	1 to 5 years	Over 5 years	Total (Restated - note 2)
Cash and cash equivalents	\$ 111,890	\$ -	\$ -	\$ 111,890
Accounts receivable	80,742	-	-	80,742
Sale proceeds receivable	-	-	610,438	610,438
Total financial assets	\$ 192,632	\$ -	\$ 610,438	\$ 803,070

2022 Liabilities	Up to 1 year (Restated - note 2)	1 to 5 years	Over 5 years	Total (Restated - note 2)
Accounts payable and accrued liabilities	\$ 174,521	\$ 117,948	\$ -	\$ 292,469
Debt	294	1,276	7,429	8,999
Total liabilities	\$ 174,815	\$ 119,224	\$ 7,429	\$ 301,468

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 (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

19. 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. Providence maintains a US dollar denominated bank account to minimize foreign exchange risk on these transactions. Comparative foreign exchange rates as at March 31 are as follows:

	2023	2022
US dollar per Canadian dollar	\$ 0.739	\$ 0.800

Providence has debt under a fiscal agency loan agreement that is denominated in US dollars (note 9(a)). Providence concurrently enters into foreign exchange swap contracts where the US dollar debt repayments are swapped for Canadian dollar repayment at a fixed exchange rate to mitigate the exposure to foreign exchange risk.

20. 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 21, 2022. The changes are as follows:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 697,702	\$ 242	\$ 697,944
Recoveries from other health authorities and BC government reporting entities	112,714	-	112,714
Pharmicare	115,201	-	115,201
Medical Services Plan	96,114	-	96,114
Patients, clients and residents	37,969	-	37,969
Amortization of deferred capital contributions	41,173	(9,747)	31,426
Other	14,732	-	14,732
	1,115,605	(9,505)	1,106,100
Expenses:			
Acute	856,451	(5,983)	850,468
Corporate	87,275	20	87,295
Long-term care	72,900	(3,542)	69,358
Mental health and substance use	80,039	-	80,039
Community care	18,940	-	18,940
	1,115,605	(9,505)	1,106,100
Annual surplus (deficit)	\$ -	\$ -	\$ -

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements (continued)

(Tabular amounts expressed in thousands of dollars, except where indicated)

Year ended March 31, 2023

21. 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.

22. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2023, Providence paid total remuneration of \$3.0 million (2022 - \$3.2 million) to the top 10-employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Providence paid \$0.2 million (2022 - \$0.1 million) of remuneration to its Board of Directors.

23. Comparative information:

Certain comparative information has been reclassified to conform to this year's consolidated financial statements presentation. There was no impact on the prior year annual surplus, net debt or accumulated surplus as a result of these reclassifications.