

Consolidated Financial Statements of

PROVIDENCE HEALTH CARE SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2021



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, 2021 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", written over a horizontal line.

Fiona Dalton
President and Chief Executive Officer

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

Brian Simmers
Chief Financial Officer

June 23, 2021
Vancouver, Canada



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2021
- 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, 2021 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 23, 2021

PROVIDENCE HEALTH CARE SOCIETY

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

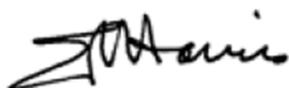
As at March 31, 2021, with comparative information for 2020

	2021	2020
Financial assets		
Cash and cash equivalents (note 2)	\$ 183,480	\$ 84,196
Accounts receivable (note 3)	80,143	39,843
Sale proceeds receivable (note 4)	678,072	-
Long-term disability and health and welfare benefits (note 5(a)(i))	4,711	91
	<u>946,406</u>	<u>124,130</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	153,638	139,254
Deferred operating contributions (note 7)	20,428	14,325
Demand loan (note 8)	-	38,500
Debt (note 9)	9,284	9,560
Lease inducements	1,120	2,100
Retirement allowance (note 5(b))	49,042	49,917
Replacement reserves (note 10)	922	767
Deferred capital contributions (note 11)	974,901	172,427
	<u>1,209,335</u>	<u>426,850</u>
Net debt	(262,929)	(302,720)
Non-financial assets		
Prepaid expenses	4,392	6,975
Inventories held for use (note 12)	8,934	10,998
Tangible capital assets (note 13)	151,302	192,299
	<u>164,628</u>	<u>210,272</u>
Accumulated deficit	\$ (98,301)	\$ (92,448)

Commitments and contingencies (note 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:



Eric Harris
Director



Dan Wilton
Director

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021, with comparative information for 2020

	2021 Budget (notes 1(k) and 19)	2021	2020
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 621,681	\$ 709,978	\$ 626,547
Recoveries from other health authorities and BC government reporting entities	111,649	123,720	122,486
Pharmacare	114,687	93,989	100,971
Medical Services Plan	89,857	94,460	79,821
Patients, clients and residents (note 15(a))	40,416	32,540	52,936
Amortization of deferred capital contributions (note 11)	29,897	61,965	29,764
Vancouver Island Health Authority contributions (note 22)	-	-	10,717
Interest income	141	59	312
Other	12,441	31,874	34,782
	1,020,769	1,148,585	1,058,336
Expenses (note 15(b)):			
Acute	802,785	901,155	795,430
Corporate	65,348	79,271	89,649
Long-term care	64,356	75,270	78,376
Mental health and substance use	69,961	77,327	72,622
Community care	18,319	21,149	19,207
	1,020,769	1,154,172	1,055,284
Annual surplus (deficit) before the undernoted	-	(5,587)	3,052
Loss on transfer of St. Joseph's General Hospital (note 22)	-	-	418
Loss on change in control of Providence Living (note 23)	-	266	-
Annual surplus (deficit)	-	(5,853)	2,634
Accumulated deficit, beginning of year	(92,448)	(92,448)	(95,082)
Accumulated deficit, end of year	\$ (92,448)	\$ (98,301)	\$ (92,448)

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, 2021, with comparative information for 2020

	2021 Budget (notes 1(k) and 19)	2021	2020
Annual surplus (deficit)	\$ -	\$ (5,853)	\$ 2,634
Acquisition of tangible capital assets	(29,897)	(41,900)	(31,071)
Amortization of tangible capital assets	30,431	25,759	31,585
Loss on disposal of tangible capital asset	-	48,006	3,040
Transfer of tangible capital assets of St. Joseph's General Hospital (note 22)	-	-	(10,799)
Change in control of tangible capital assets of Providence Living (note 23)	-	9,132	-
	534	35,144	(4,611)
Acquisition of inventories held for use	-	(101,186)	(137,144)
Acquisition of prepaid expenses	-	(11,692)	(12,302)
Consumption and transfer of inventories held for use	-	103,229	133,635
Use of prepaid expenses	-	14,266	8,437
Transfer of inventories held for use and prepaid expenses of St. Joseph's General Hospital (note 22)	-	-	(30)
Change in control of inventories held for use and prepaid expenses of Providence Living (note 23)	-	30	-
	-	4,647	(7,404)
Decrease (increase) in net debt	534	39,791	(12,015)
Net debt, beginning of year	(302,720)	(302,720)	(290,705)
Net debt, end of year	\$ (302,186)	\$ (262,929)	\$ (302,720)

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, 2021, with comparative information for 2020

	2021	2020
Cash flows from (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (5,853)	\$ 2,634
Items not involving cash:		
Amortization of tangible capital assets (note 13)	25,759	31,585
Amortization of deferred capital contributions (note 11)	(61,965)	(29,764)
Amortization of lease inducements	(980)	(1,149)
Retirement allowance expense (note 5(b))	3,846	3,638
Long-term disability and health and welfare benefits expense (note 5(a)(i))	14,971	15,016
Loss on disposal of tangible capital asset (notes 13(a) and (b))	48,006	3,040
Loss on transfer of St. Joseph's General Hospital, net of cash and cash equivalents received (note 22)	-	5,686
Loss on change in control of Providence Living, net of cash and cash equivalents (note 23)	(8,905)	-
	14,879	30,686
Net change in non-cash operating items (note 16)	(13,796)	30,869
Retirement allowance benefits paid (note 5(b))	(3,941)	(4,298)
Long-term disability and health and welfare benefits contributions (note 5(a)(i))	(19,591)	(18,464)
Net change in cash from operating activities	(22,449)	38,793
Capital activities:		
Cash used to acquire tangible capital assets	(38,732)	(29,569)
Net change in cash from capital activities	(38,732)	(29,569)
Financing activities:		
Proceeds from demand loan	-	9,500
Repayment of demand loan (note 8)	(38,500)	-
Repayment of debt	(276)	(268)
Leasehold inducements	-	302
Capital contributions received in cash (note 11)	199,241	25,922
Net change in cash from financing activities	160,465	35,456
Increase in cash and cash equivalents	99,284	44,680
Cash and cash equivalents, beginning of year	84,196	39,516
Cash and cash equivalents, end of year	\$ 183,480	\$ 84,196
Non-cash transaction:		
Capital contribution and sale proceeds receivable (note 4)	\$ 678,072	\$ -
Contributed tangible capital assets received	3,168	1,502

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, 2021

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. In fiscal 2019/2020, St. Joseph’s General Hospital began operating as part of Providence Living Society (“Providence Living”) (formerly Providence Residential and Community Care Society) (note 22). Effective April 1, 2020, Providence no longer controls the operations of Providence Living (note 23).

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. BC’s Provincial Health Officer declared a public health emergency on March 17, 2020; the following day the province declared a provincial state of emergency. Both declarations continue at the financial statement date. On July 10, 2020, the COVID-19 Related Measures Act came into force.

The financial statements of Providence reflect its response to the pandemic. Events that occurred and affected health authorities’ and organizations’ operations in fiscal 2020/2021 were addressed through collaboration with and direction from the Ministry; health authorities and organizations will continue to respond appropriately to ongoing COVID-19 related issues as long as necessary 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”).

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

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

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

- (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

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- 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 would be recorded differently under PSAS.

(b) Basis of presentation and consolidation:

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

Effective April 1, 2020, Providence Living operates independently from Providence (note 23). 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(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 11 years (2020 - 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(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:

Asset	Basis
Land improvements	5 - 28 years
Buildings	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, 2021

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.

(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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(i) Foreign currency translation (continued):

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, 2021. As a result, Providence does not have 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 11(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.

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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's fiscal 2020/2021 preliminary budget approved by its Board of Directors on March 25, 2020. Note 19 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 23, 2020.

(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.
- 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

1. Significant accounting policies (continued):

(m) Future accounting standards (continued):

(i) (continued)

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:

	2021	2020
Cash and cash equivalents	\$ 183,480	\$ 84,196
Less amounts restricted for:		
Capital projects	(123,148)	-
Special purpose funds	(565)	(1,482)
Replacement reserves (note 10)	(922)	(767)
Patient comfort funds	(229)	(188)
Deferred Salary Leave Plan	(47)	(27)
Unrestricted cash and cash equivalents	\$ 58,569	\$ 81,732

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

3. Accounts receivable:

	2021	2020
Patients, clients and residents	\$ 15,569	\$ 20,178
Other health authorities and BC government reporting entities	12,132	12,483
Vancouver Coastal Health Authority	40,767	9,058
Ministry of Health	8,508	4,368
Foundations	3,734	3,555
Federal government	1,682	1,195
Medical Services Plan	2,339	1,004
Pharmacare	106	110
Other	9,286	5,505
	94,123	57,456
Allowance for doubtful accounts	(13,980)	(17,613)
	\$ 80,143	\$ 39,843

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 initial seven-year lease term are \$53.0 million (note 14(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 11(a)). 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 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
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Year ended March 31, 2021

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

In fiscal 2020/2021, Providence received \$125.0 million of the sale proceeds in cash. The remaining sale proceeds of \$725.0 million are recorded as sale proceeds receivable, with \$75.0 million due on June 30, 2021 and \$650.0 million due at the end of the lease term, which is currently anticipated to be July 30, 2027. The sale proceeds receivable has been recorded at the present value of the amounts due using a discount rate of 1.18%. The discount of \$46.9 million has been recorded net of the deferred capital contribution for the sale proceeds. The total discounted sale proceeds receivable as at March 31, 2021 is \$678.1 million. The receivable is secured by a mortgage on the Burrard Street property. Interest accrues on each sale 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, Providence derecognized the Burrard Street property's tangible capital assets with a net book value of \$37.9 million (note 13(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 11(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 liabilities (assets) are reflected in these consolidated financial statements.

Providence's liabilities as of March 31, 2021 are based on the actuarial valuation at December 31, 2020, extrapolated to March 31, 2021. The next valuation is as of December 31, 2021.

The fair value of plan assets below represents the market value of assets at December 31, 2020, 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, 2021

5. Employee benefits (continued):

(a) Healthcare Benefit Trust benefits (continued):

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

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

	2021	2020
Accrued benefit obligation	\$ 57,481	\$ 54,713
Fair value of plan assets	(62,192)	(54,804)
Long-term disability and health and welfare benefits asset	\$ (4,711)	\$ (91)
	2021	2020
Long-term disability and health and welfare benefits liability (asset), beginning of year	\$ (91)	\$ 3,357
Net benefit expense:		
Long-term disability and health and welfare expense	16,576	17,734
Interest expense	3,072	3,077
Non-employer contributions	(384)	(324)
Expected return on assets	(3,150)	(2,905)
Actuarial gain	(1,143)	(2,566)
Net benefit expense	14,971	15,016
Contributions to the plan	(19,591)	(18,464)
Long-term disability and health and welfare benefits asset, end of year	\$ (4,711)	\$ (91)
Benefits paid to claimants	\$ (16,794)	\$ (17,942)
Plan assets consist of:		
	2021	2020
Debt securities	39%	39%
Foreign equities	35%	36%
Equity securities and other	26%	25%
Total	100%	100%

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

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:

	2021	2020
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.60%
Rate of benefit increase	2.00%	2.00%
Benefit cost for years ended March 31:		
Discount rate	5.30%	5.60%
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	5.30%	5.60%

Actual rate of return on plan assets was 9.17% for the year ended December 31, 2020 (2019 - 12.40%).

(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, 2021, Providence made contributions to these joint benefit trusts totaling \$14.5 million (2020 - \$13.8 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, 2020 and extrapolated to March 31, 2021 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2021 are derived. The next required valuation will be as of December 31, 2021.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

5. Employee benefits (continued):

(b) Retirement allowance (continued):

Information about retirement allowance benefits are as follows:

	2021	2020
Accrued benefit obligation:		
Severance benefits	\$ 28,565	\$ 27,328
Sick leave benefits	19,735	18,955
	48,300	46,283
Unamortized actuarial gain	742	3,634
Accrued benefit liability	\$ 49,042	\$ 49,917

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

	2021	2020
Accrued benefit liability, beginning of year	\$ 49,917	\$ 49,741
Net benefit expense:		
Current service cost	2,966	2,884
Interest expense	1,747	1,791
Amortization of actuarial gain	(867)	(999)
Other adjustments	-	(38)
Net benefit expense	3,846	3,638
Benefits paid	(3,941)	(4,298)
Liability assumed on transfer of St. Joseph's General Hospital (note 22)	-	836
Liability derecognized on change in control of Providence Living (note 23)	(780)	-
Accrued benefit liability, end of year	\$ 49,042	\$ 49,917

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

5. Employee benefits (continued):

(b) Retirement allowance (continued):

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

	2021	2020
Accrued benefit obligation as at March 31:		
Discount rate	3.14%	3.79%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.79%	4.01%
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 \$39.5 million (2020 - \$37.8 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 213,000 active members, of which approximately 6,884 are employees of Providence (2020 - 6,556). The next expected actuarial valuation date will be as of December 31, 2021 with results available in 2022.

Employer contributions to the Public Service Pension Plan of \$0.1 million (2020 - \$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, 2020, 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 67,000 active members, of which approximately 13 are employees of Providence (2020 - 15). 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
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Year ended March 31, 2021

6. Accounts payable and accrued liabilities:

	2021	2020
Trade accounts payable and accrued liabilities	\$ 69,501	\$ 64,797
Accrued salaries and benefits	56,773	49,692
Accrued vacation pay	27,364	24,765
	<u>\$ 153,638</u>	<u>\$ 139,254</u>

7. Deferred operating contributions:

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

	2021	2020
Deferred operating contributions, beginning of year	\$ 14,325	\$ 3,355
Contributions received in the year	11,648	13,259
Amount recognized as revenue in the year	(5,519)	(2,363)
Contributions transferred from St. Joseph's General Hospital (note 22)	-	74
Contributions derecognized on change in control of Providence Living (note 23)	(26)	-
Deferred operating contributions, end of year	<u>\$ 20,428</u>	<u>\$ 14,325</u>

8. Demand loan:

A demand loan was provided by VCHA in prior years for the acquisition of the site of the new St. Paul's Hospital ("Station Street Lands"), and for the new St. Paul's Hospital development project. Providence incurred and paid interest expense of \$0.2 million during the year ended March 31, 2021 (2020 - \$0.8 million). The demand loan balance of \$38.5 million was repaid to VCHA on March 30, 2021.

9. Debt:

	2021	2020
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	\$ 9,284	\$ 9,560

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

9. Debt (continued):

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

2022	\$	578
2023		578
2024		578
2025		578
2026		578
Thereafter		10,160
		13,050
Less: interest		(3,766)
	\$	9,284

10. Replacement reserves:

The replacement reserves of \$0.9 million as of March 31, 2021 (2020 - \$0.8 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.

11. Deferred capital contributions:

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

	2021	2020
Deferred capital contributions, beginning of year	\$ 172,427	\$ 159,959
Capital contributions received:		
Vancouver Coastal Health Authority	64,133	19,338
St. Paul's Foundation of Vancouver	8,597	5,106
Providence Health Care Research Institute Trust	310	108
Disposal of Burrard Street property (a)	800,643	-
Other	6,798	2,872
	880,481	27,424
Amortization for the year (b)	(61,965)	(29,764)
Contributions transferred from St. Joseph's General Hospital (note 22)	-	14,808
Contributions derecognized on change in control of Providence Living (note 23)	(16,042)	-
Deferred capital contributions, end of year	\$ 974,901	\$ 172,427

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

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 4). The capital contribution was offset by the discount from the present value of the sale proceeds receivable of \$46.9 million resulting in a net capital contribution of \$800.6 million.

(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:

	2021		2020
Contributions used to purchase tangible capital assets (note 13) \$	95,344	\$	124,461
Unspent contributions	879,557		47,966
	\$ 974,901	\$	172,427

12. Inventories held for use:

	2021		2020
Pharmaceuticals	\$ 8,197	\$	10,202
Medical supplies	737		786
Other	-		10
	\$ 8,934	\$	10,998

13. Tangible capital assets:

Cost	2020	Additions	Disposals	Transfers	2021
			(a), (b)	(c)	
Land	\$ 56,772	\$ -	\$(10,342)	\$ (14)	\$ 46,416
Land improvements	364	-	-	-	364
Buildings	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

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

13. Tangible capital assets (continued):

Accumulated amortization	2020	Amortization	Disposals	Transfers	2021
			(b)	(c)	
Land improvements	\$ 253	\$ 5	\$ -	\$ -	\$ 258
Buildings	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

Cost	2019	Additions	Disposals	Transfers	2020
				(d)	
Land	\$ 59,798	\$ -	\$ (3,040)	\$ 14	\$ 56,772
Land improvements	252	-	-	112	364
Buildings	362,010	22	-	43,418	405,450
Equipment	230,757	8,385	(3,798)	10,746	246,090
Information systems	42,824	4,280	-	2,908	50,012
Leasehold improvements	19,488	-	-	949	20,437
Construction and equipment in progress	11,038	18,384	-	(13,468)	15,954
Total	\$ 726,167	\$ 31,071	\$ (6,838)	\$ 44,679	\$ 795,079

Accumulated amortization	2019	Amortization	Disposals	Transfers	2020
				(d)	
Land improvements	\$ 252	\$ 1	\$ -	\$ -	\$ 253
Buildings	280,352	15,200	-	27,386	322,938
Equipment	205,026	12,572	(3,798)	5,341	219,141
Information systems	40,198	1,305	-	1,153	42,656
Leasehold improvements	15,285	2,507	-	-	17,792
Total	\$ 541,113	\$ 31,585	\$ (3,798)	\$ 33,880	\$ 602,780

PROVIDENCE HEALTH CARE SOCIETY

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13. Tangible capital assets (continued):

Net book value	2021	2020
Land	\$ 46,416	\$ 56,772
Land improvements	106	111
Buildings	32,088	82,512
Equipment	26,725	26,949
Information systems	8,331	7,356
Leasehold improvements	7,272	2,645
Construction and equipment in progress	30,364	15,954
Total	\$ 151,302	\$ 192,299

- (a) Included in disposals for the 2020/2021 fiscal year is \$10.1 million 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.
- (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 (note 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 23).
- (d) Included in transfers for the 2019/2020 fiscal year were tangible capital assets transferred from St. Joseph's General Hospital with total net book value of \$10.8 million (note 22).

Tangible capital assets are funded as follows:

	2021	2020
Deferred capital contributions (note 11)	\$ 95,344	\$ 124,461
Demand loan (note 8)	-	29,000
Debt (note 9)	9,284	9,560
Internally funded	46,674	29,278
Tangible capital assets	\$ 151,302	\$ 192,299

PROVIDENCE HEALTH CARE SOCIETY

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Year ended March 31, 2021

14. Commitments and contingencies:

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

As at March 31, 2021, Providence has outstanding commitments for construction, equipment and information systems in progress of \$6.5 million (2020 - \$11.6 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, 2021 is \$1,744.0 million.

(b) Contractual obligations:

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

2022	\$ 15,861
2023	7,899
2024	2,082
2025	854
2026	363
	<hr/>
	\$ 27,059

(c) Operating leases:

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

2022	\$ 15,714
2023	15,476
2024	14,906
2025	14,613
2026	14,302
Thereafter	34,444
	<hr/>
	\$ 109,455

Included in the operating lease payments is \$50.3 million for the leaseback of the Burrard Street property (note 4).

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

14. Commitments and contingencies (continued):

(d) Litigation and claims:

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

The nature of Providence's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2021, management is of the opinion that Providence has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on Providence's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

(e) Letter of credit:

As at March 31, 2021, Providence has issued a letter of credit to the City of Vancouver for \$1.5 million which expires in January 2022.

15. Consolidated statement of operations and accumulated deficit:

(a) Patients, clients and residents revenues:

	2021	2020
Non-residents of Canada	\$ 4,626	\$ 16,886
Long-term care and extended care	10,510	14,601
Non-residents of BC	11,209	14,327
WorkSafe BC	2,698	2,507
Residents of BC self-pay	605	2,294
Preferred accommodation	126	205
Federal government	322	174
Other	2,444	1,942
	<u>\$ 32,540</u>	<u>\$ 52,936</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

15. Consolidated statement of operations and accumulated deficit (continued):

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

	2021	2020
Compensation:		
Compensation	\$ 567,441	\$ 519,435
Employee benefits	111,803	111,323
Gain on event-driven employee benefits	(1,143)	(2,566)
	<u>678,101</u>	<u>628,192</u>
Referred out and contracted services:		
Other health authorities and BC government reporting entities (note 17(a))	79,283	81,358
Health and support services providers	46,851	39,140
	<u>126,134</u>	<u>120,498</u>
Supplies:		
Drugs and medical gases	104,795	113,034
Medical and surgical	58,957	57,876
Diagnostic	21,056	15,618
Laundry and linen	4,757	1,982
Printing, stationery and office	1,560	1,904
Food and dietary	823	1,378
Housekeeping	1,560	571
Other	11,677	10,661
	<u>205,185</u>	<u>203,024</u>
Equipment and building services:		
Equipment	16,823	16,895
Rent	9,639	7,707
Plant operations (utilities)	5,916	6,099
Building and grounds service contracts	2,051	1,874
Other	3,689	3,040
	<u>38,118</u>	<u>35,615</u>
Amortization of tangible capital assets (note 13)	25,759	31,585
Sundry:		
Professional fees	19,852	13,022
Travel	1,455	1,769
Patient transport	1,761	1,606
Communications and data processing	1,742	1,269
Other	7,558	14,562
	<u>32,368</u>	<u>32,228</u>
Disposal of Burrard Street property (note 4)	37,935	-
Loss on Station Street site land transfer (note 13(a))	10,071	-
Loss on disposal of other tangible capital assets	-	3,040
Interest on debt and demand loan	501	1,102
	<u>48,507</u>	<u>4,142</u>
	<u>\$ 1,154,172</u>	<u>\$ 1,055,284</u>

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

16. Supplementary cash flow information:

Net change in non-cash operating items:

	2021	2020
Accounts receivable	\$ (40,847)	\$ (1,672)
Accounts payable and accrued liabilities	16,150	29,049
Deferred operating contributions	6,129	10,896
Replacement reserves	155	(30)
Prepaid expenses	2,574	(3,865)
Inventories held for use	2,043	(3,509)
	<hr/>	<hr/>
	\$ (13,796)	\$ 30,869

17. 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 15(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 Executive 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

17. Related parties and other agencies (continued):

(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 17(a)) and transactions with PHSA are included in note 15(b).

18. 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, 2021, the amount of allowance for doubtful accounts was \$14.0 million (2020 - \$17.6 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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

18. Risk management (continued):

(b) Liquidity risk (continued):

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

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

2020 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 84,196	\$ -	\$ -	\$ 84,196
Accounts receivable	39,843	-	-	39,843
Total financial assets	\$ 124,039	\$ -	\$ -	\$ 124,039

2020 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 139,254	\$ -	\$ -	\$ 139,254
Debt	267	1,159	8,134	9,560
Demand loan	38,500	-	-	38,500
Total liabilities	\$ 178,021	\$ 1,159	\$ 8,134	\$ 187,314

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

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

18. Risk management (continued):

(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 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:

	2021	2020
US dollar per Canadian dollar	\$ 0.795	\$ 0.705

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.

PROVIDENCE HEALTH CARE SOCIETY

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

Year ended March 31, 2021

19. 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 23, 2020. The changes are as follows:

	Preliminary budget	Reallocations	Final approved budget
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 634,501	\$ (12,820)	\$ 621,681
Recoveries from other health authorities and BC government reporting entities	103,284	8,365	111,649
Pharmacare	114,100	587	114,687
Medical Services Plan	89,134	723	89,857
Patients, clients and residents	42,260	(1,844)	40,416
Amortization of deferred capital contributions	29,905	(8)	29,897
Interest income	141	-	141
Other	12,884	(443)	12,441
	1,026,209	(5,440)	1,020,769
Expenses:			
Acute	821,455	(18,670)	802,785
Corporate	59,692	5,656	65,348
Long-term care	62,031	2,325	64,356
Mental health and substance use	64,641	5,320	69,961
Community care	18,390	(71)	18,319
	1,026,209	(5,440)	1,020,769
Annual surplus (deficit)	\$ -	\$ -	\$ -

20. 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.

21. Employee, contractor and director remuneration:

For the fiscal year ended March 31, 2021, Providence paid total remuneration of \$2.9 million (2020 \$3.8 million) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater. Providence did not pay any remuneration to its Board of Directors.

PROVIDENCE HEALTH CARE SOCIETY

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Year ended March 31, 2021

22. Transfer of St. Joseph's General Hospital:

On April 1, 2019, the assets, liabilities, contingent liabilities and contractual obligations of St. Joseph's General Hospital were transferred to Providence Living. The transfer was undertaken as part of Providence Living's residential and community care redevelopment and restructuring strategy. There was no cash consideration provided by Providence Living for the transfer, and no restructuring-related costs were incurred.

The following assets and liabilities were transferred to Providence Living on the restructuring date of April 1, 2019:

Assets:	
Cash and cash equivalents	\$ 5,268
Accounts receivable	638
Prepaid expenses	9
Inventories held for use	21
Tangible capital assets	10,799
	<hr/> 16,735
Liabilities:	
Accounts payable and accrued liabilities	1,435
Deferred operating contributions	74
Retirement allowance	836
Deferred capital contributions	14,808
	<hr/> 17,153
Restructuring loss from transfer	<hr/> \$ (418)

The fiscal 2019/2020 revenues and expenses of St. Joseph's General Hospital that are included in these consolidated financial statements are as follows:

Revenues:	
Recoveries from other health authorities and BC government reporting entities	\$ 964
Patients, clients and residents	3,137
Amortization of deferred capital contributions	1,929
Vancouver Island Health Authority contributions	10,717
Interest income	214
	<hr/> 16,961
Expenses:	
Corporate	699
Long-term care	16,034
	<hr/> 16,733
Annual surplus	<hr/> \$ 228

PROVIDENCE HEALTH CARE SOCIETY

Notes to Consolidated Financial Statements
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Year ended March 31, 2021

23. 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
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24. Comparative information:

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