



Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2023

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") 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 schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit and Finance Committee of the Board. The Audit and Finance Committee meets with management and the internal auditor regularly.

The Authority's internal audit function 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 financial statements. Their examination considers internal control relevant to management's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. The external auditors have full and free access to the Audit and Finance Committee and the option to meet with it on a regular basis.

On behalf of Northern Health Authority

ORIGINAL SIGNED BY

Cathy Ulrich
President and Chief Executive Officer
June 11, 2023

ORIGINAL SIGNED BY

Mark De Croos
Vice President, Financial & Corporate Services/Chief Financial Officer
June 11, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Northern Health Authority, and
To the Minister of Health, Province of British Columbia

Opinion

We have audited the financial statements of Northern Health Authority (the Authority), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and accumulated deficit for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 the Authority 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 the Authority 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements (“Note 2”), 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

The financial statements for the year ended March 31, 2022, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 17, 2022.

As part of our audit of the 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.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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 the Authority’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority’s financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Authority 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.

Chartered Professional Accountants

Prince George, Canada
June 11, 2023

NORTHERN HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

As at March 31, 2023

	2023	2022
		(Restated - note 2)
Financial assets		
Cash and cash equivalents (note 3)	\$ 190,002	\$ 181,000
Accounts receivable (note 4)	141,443	57,442
Healthcare Benefit Trust benefits (note 9(b))	28,507	31,455
	<u>359,952</u>	<u>269,897</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	225,521	144,388
Deferred operating contributions (note 6)	13,207	14,499
Obligations under public-private partnership (note 7)	29,848	30,101
Debt (note 8)	3,543	3,838
Retirement allowance (note 9(a))	44,403	42,056
Deferred capital contributions (note 10)	1,158,670	853,944
Asset retirement obligation (note 11)	44,172	41,612
	<u>1,519,364</u>	<u>1,130,438</u>
Net debt	<u>(1,159,412)</u>	<u>(860,541)</u>
Non-financial assets		
Tangible capital assets (note 12)	1,119,562	822,273
Inventories held for use (note 13)	8,545	7,747
Prepaid expenses	7,345	5,719
	<u>1,135,452</u>	<u>835,739</u>
Accumulated deficit	<u>\$ (23,960)</u>	<u>\$ (24,802)</u>

Commitments and contingencies (note 14)

Approved on behalf of the Board:

ORIGINAL SIGNED BY

Director

ORIGINAL SIGNED BY

Director

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2023

	2023 Budget (note 1(k),19)	2023	2022 (Restated - note 2)
Revenues:			
Ministry of Health contributions	\$ 976,400	\$ 956,002	\$ 870,414
Medical Services Plan	121,800	112,679	113,642
Amortization of deferred capital contributions	47,200	46,950	45,478
Patients, clients and residents (note 15(a))	47,200	47,771	44,036
Other contributions (note 15(b))	18,000	16,402	19,566
Recoveries from other health authorities and BC government reporting entities	18,300	16,163	16,963
Investment income	1,400	6,249	917
Other revenues (note 15(c))	13,100	18,690	14,803
	<u>1,243,400</u>	<u>1,220,906</u>	<u>1,125,819</u>
Expenses (note 15(d)):			
Acute	642,200	640,701	593,213
Community care	218,500	194,081	180,011
Long term care	149,800	170,242	152,797
Mental health and substance use	90,400	68,552	60,044
Population health and wellness	39,800	39,090	48,445
Corporate	102,700	107,398	91,608
	<u>1,243,400</u>	<u>1,220,064</u>	<u>1,126,118</u>
Annual operating surplus (deficit) (note 21)	-	842	(299)
Accumulated surplus (deficit), beginning of year	(24,802)	(24,802)	15,642
Adjustment on adoption of the asset retirement obligation standard (note 2)			(40,145)
Accumulated surplus (deficit), beginning of year, as restated			(24,503)
Accumulated surplus (deficit), end of year	<u>\$ (24,802)</u>	<u>\$ (23,960)</u>	<u>\$ (24,802)</u>

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2023

	2023 Budget (note 1(k))	2023	2022 (Restated - note 2)
Annual operating surplus (deficit)	\$ -	\$ 842	\$ (299)
Acquisition of tangible capital assets	(411,460)	(348,589)	(204,601)
Amortization of tangible capital assets	51,250	50,707	49,536
Loss on disposal of tangible capital assets	-	531	283
Proceeds from the disposal of tangible capital assets	-	62	185
	(360,210)	(296,447)	(154,896)
Consumption of inventories held for use	-	(798)	303
Change in prepaid expenses	-	(1,626)	(1,130)
	-	(2,424)	(827)
Increase in net debt	(360,210)	(298,871)	(155,723)
Net debt, beginning of year	(860,541)	(860,541)	(664,336)
Adjustment on adoption of the asset retirement obligation standard (note 2)			(40,482)
Net debt, beginning of year, restated			(704,818)
Net debt, end of year	\$ (1,220,751)	\$ (1,159,412)	\$ (860,541)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

	2023	2022
		(Restated - note 2)
Cash provided by (used in) operating activities:		
Annual surplus (deficit)	\$ 842	\$ (299)
Items not involving cash:		
Amortization of deferred capital contributions	(46,950)	(45,478)
Amortization of tangible capital assets	50,707	49,536
Loss on disposal of tangible capital assets	531	283
Retirement allowance expense	4,828	4,127
Long-term disability benefits expense	22,460	13,009
Accretion expense (note 11)	2,560	1,130
	34,978	22,308
Net change in non-cash operating items (note 16(a))	(6,584)	16,768
Net change in accrued acquisition of tangible capital assets	(47,221)	(24,242)
Retirement allowance benefits paid	(2,481)	(3,364)
Long-term disability benefits contributions	(19,512)	(19,754)
Net change in cash from operating activities	(40,820)	(8,284)
Capital activities:		
Acquisition of tangible capital assets (note 16(b))	(301,368)	(180,359)
Proceeds from the disposal of tangible capital assets	62	185
Net change in cash used in capital activities	(301,306)	(180,174)
Financing activities:		
Capital contributions	351,676	250,037
Change in obligations under public-private partnership	(253)	(462)
Repayment of debt	(295)	(288)
Net change in cash from financing activities	351,128	249,287
Increase in cash and cash equivalents	9,002	60,829
Cash and cash equivalents, beginning of year	181,000	120,171
Cash and cash equivalents, end of year	\$ 190,002	\$ 181,000

Supplementary cash flow information (note 16(c))

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

Northern Health Authority (the "Authority") was created under the *Health Authorities Act of British Columbia* on December 12, 2001, with a Board of Directors appointed by the Ministry of Health (the "Ministry") and is one of six Health Authorities in British Columbia ("BC"). The Authority is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment, and complete its capital projects. The Authority is a registered charity under the *Income Tax Act*, and as such, is exempt from income and capital taxes.

The role of the Authority is to promote and provide for the physical, mental and social well-being of people who live in the north region and those referred from outside the region.

1. Significant accounting policies:

(a) Basis of accounting:

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

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for 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 taxpayer 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 periods 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 by the Authority.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC taxpayer 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 requires 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 Revenues; and
- deferred contributions meet the liability criteria in accordance with PS 3200, Liabilities.

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

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term 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 short-term 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.

(c) 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 employer defined long-term disability and employee life and 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 period 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 benefits that do not vest or accumulate are recognized immediately.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(c) Employee benefits (continued):

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

The discount rate used to measure obligation 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 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 the Authority to pay benefits occurs.

(d) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following 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 liability is initially recorded at fair value, which is an amount that is the best estimate of the expenditure required to retire a tangible capital asset determined using present value methodology, and the resulting costs are capitalized as part of the carrying amount of the related tangible capital asset.

This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. The changes in the liability for the passage of time are recorded as accretion expense in the Statement of Operations and Accumulated Deficit and all other changes are adjusted to the tangible capital asset. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The increase to the tangible capital assets is being amortized in accordance with the depreciation policies outlined in 1(e).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Non-financial assets:

(i) Tangible capital assets:

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

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

Asset	Basis
Land improvements	5 - 25 years
Buildings	10 - 50 years
Equipment and vehicles	3 - 20 years
Information systems	3 - 10 years
Assets under capital lease and leasehold improvements	Lease term

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 the Authority's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

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

(ii) Inventories held for use:

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

(iii) Prepaid expenses:

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

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(f) Revenue recognition:

Under the Hospital Insurance Act and Regulation thereto, the Authority is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

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 fee being earned or the service being performed is deferred and recognized when the fee is earned or service 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 the Authority in carrying out its programs and services. Contributed services are not recognized in these financial statements.

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

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

(g) Measurement uncertainty:

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period.

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

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

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) Foreign currency translation:

The Authority's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Any gain or loss resulting from a change in rates between the transaction date and the settlement date or statement of financial position date is recognized in the statement of operations.

(i) 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. All debt and other financial liabilities are recorded using cost or amortized cost.

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

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

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

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

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

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 the Authority's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(j) Capitalization of public-private partnership projects:

Public-private partnership (“P3”) projects are delivered by the private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction is estimated at fair value, based on construction progress billings verified by an independent certifier, and also includes other costs incurred directly by the Authority.

The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received and amounts repaid, during the construction term. The interest rate used is the project internal rate of return. When available for operations, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in debt.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners’ operating costs, financing costs and a return of their capital.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Authority’s Fiscal 2022/2023 Budget approved by the Board of Directors on June 13, 2022. Note 19 reconciles the approved budget to the budget reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

(l) Future accounting standards:

In June 2018, PSAB issued PS 3400 Revenue. PS 3400 proposes a framework describing two categories of revenue – transactions with performance obligations and 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 PS3400 on the financial statements of the Authority.

2. Change in accounting standards:

On April 1, 2022, the Authority adopted 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 the removal of underground fuel tanks and asbestos removal in buildings owned by the Authority. The standard was adopted on the modified retrospective basis using the discount rate in effect on the date of adoption of 3.13%. The liability was measured as the date the legal requirement came into effect (1988). The expected useful life of the buildings was not changed since purchase or construction.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

2. Change in accounting standards (continued):

In accordance with the provisions of the new standard, the Authority reflecting the following adjustments as at April 1, 2022:

	2022 Restatement		
	Originally Presented	Restatement	Restated
Statement of Financial Position:			
Asset retirement obligation	-	41,612	41,612
Tangible capital assets			
Cost	\$ 1,559,906	\$ 14,720	\$ 1,574,626
Accumulated amortization	737,923	14,430	752,353
	821,983	290	822,273
Accumulated surplus (deficit)	\$ 16,520	(41,322)	(24,802)
Statement of Operations and Accumulated Deficit:			
Corporate	90,431	1,177	91,608
Annual operating surplus (deficit)	878	(1,177)	(299)
Accumulated surplus (deficit) beginning of year	15,642	(40,145)	(24,503)
Accumulated surplus (deficit) end of year	\$ 16,520	\$ (41,322)	\$ (24,802)

3. Cash and cash equivalents:

	2023	2022
Cash and cash equivalents	\$ 190,002	\$ 181,000
Cash restricted for the following:		
Unspent capital contributions	89,707	86,476
Deferred operating contributions	13,207	14,499
P3 project	4,254	5,593
Replacement reserves	524	541
Patient comfort funds	161	195
	107,853	107,304
Unrestricted cash and cash equivalents	82,149	73,696
	\$ 190,002	\$ 181,000

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

4. Accounts receivable:

	2023	2022
Ministry of Health	\$ 86,189	\$ 2,974
Medical Services Plan	16,529	20,558
Other health authorities and BC government reporting entities	9,062	7,451
Patients, clients and residents	8,322	6,649
Regional Hospital Districts	5,891	9,620
Federal government	2,085	1,383
Foundations and auxiliaries	1,330	609
WorkSafe BC	1,080	956
Other grantors	12,256	8,762
	142,744	58,962
Allowance for doubtful accounts (note 18(a))	(1,301)	(1,520)
	\$ 141,443	\$ 57,442

5. Accounts payable and accrued liabilities:

	2023	2022
Trade accounts payable and accrued liabilities	\$ 123,100	\$ 67,116
Salaries and benefits payable	70,634	47,160
Accrued vacation pay	31,787	30,112
	\$ 225,521	\$ 144,388

6. Deferred operating contributions:

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

	2023	2022
Deferred operating contributions, beginning of year	\$ 14,499	\$ 16,991
Contributions received during the year	1,555	2,165
Transferred to deferred capital contributions	(718)	(375)
Amounts recognized as revenue in the year	(2,129)	(4,282)
Deferred operating contributions, end of year	\$ 13,207	\$ 14,499

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

7. Obligations under public-private partnership:

	2023	2022
Fort St. John Hospital and Peace Villa, 30 year contract to May 2042 with ISL Health (FSJ) General Partnership, payable in monthly payments including annual interest of 14.76%, in accordance with the project agreement terms	\$ 29,848	\$ 30,101
	\$ 29,848	\$ 30,101

Required principle repayments on P3 debt for the years ending March 31 are as follows:

2024	\$	110
2025		(62)
2026		314
2027		871
2028		1,232
Thereafter		27,383
	\$	29,848

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

8. Debt:

Mortgages:

	2023	2022
Mortgage payable to MCAP Financial Corporation, at an interest rate of 2.62%, payable in payments of \$11,417 per month, with a maturity date of May 2037, secured by building and first charge on properties. Renewal date is May 1, 2027.	\$ 1,621	\$ 1,715
Mortgage payable to People's Trust, at an interest rate of 2.965%, payable in payments of \$8,549 per month, with a maturity date of September 2037, secured by building and first charge on properties. Renewal date is October 1, 2027.	1,209	1,275
Mortgage payable to Canada Mortgage and Housing Corporation ("CMHC"), at an interest rates of 2.26% payable in payments of \$12,774 per month. The mortgage is secured by first charges on the property. The mortgage matures in February 2028.	713	848
	<u>\$ 3,543</u>	<u>\$ 3,838</u>

Required principal repayments on these mortgages for the years ending March 31 are as follows:

2024	\$ 302
2025	310
2026	318
2027	326
2028	321
Thereafter	1,966
	<u>\$ 3,543</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Employee benefits:

(a) Retirement allowance:

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

The Authority'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.

Information about retirement allowance benefits is as follows:

	2023	2022
Accrued benefit obligation:		
Severance benefits	\$ 27,080	\$ 27,182
Sick leave benefits	17,251	17,000
	<u>44,331</u>	<u>44,182</u>
Unamortized actuarial gain	72	(2,126)
Accrued benefit liability	<u>\$ 44,403</u>	<u>\$ 42,056</u>

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

	2023	2022
Accrued benefit liability, beginning of year	\$ 42,056	\$ 41,293
Net benefit expense:		
Current service cost	3,659	3,402
Interest expense	1,428	1,283
Amortization of actuarial gain	(259)	(558)
Net Benefit Expense	<u>4,828</u>	<u>4,127</u>
Benefits paid	<u>(2,481)</u>	<u>(3,364)</u>
Accrued benefit liability, end of year	<u>\$ 44,403</u>	<u>\$ 42,056</u>

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement allowance liabilities are as follows:

	2023	2022
Accrued benefit liability as at March 31:		
Discount rate	3.55%	3.16%
Rate of compensation increase		
2022	4.17%	2.50%
2023	7.00%	
2024	3.00%	
Thereafter	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 increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

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

The Authority 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.

The Trust is a multiple employer plan, with the Authority's assets and liabilities being segregated with regard to long-term disability benefits after September 30, 1997, and employee life and health benefits after March 31, 2004. Accordingly, the Authority's net trust assets (liabilities) are reflected in these financial statements.

The Authority's assets as of March 31, 2023, are based on the actuarial valuation at December 31, 2022, extrapolated to March 31, 2023. The Authority's assets as of March 31, 2023, were based on the actuarial valuation at December 31, 2020. The next expected valuation will be as of December 31, 2023.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2023	2022
Fair value of plan assets	\$ 82,443	\$ 87,169
Accrued benefit obligation	53,936	55,714
Net asset	\$ 28,507	\$ 31,455
	2023	2022
Net asset, beginning of year	\$ 31,455	\$ 24,710
Net benefit expense:		
Long-term disability expense	(14,850)	(14,283)
Interest expense	(2,801)	(2,814)
Return on assets	4,426	4,162
Contribution adjustment	(367)	(173)
Actuarial (loss) gain	(8,776)	2
	(22,368)	(13,106)
Transfer of affiliate pool surplus	(92)	97
Net benefit expense:	(22,460)	(13,009)
Contributions to the plan	19,512	19,754
Net asset, end of year	\$ 28,507	\$ 31,455
Benefits paid to claimants	\$ 17,907	\$ 17,242

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

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

Plan assets consist of:

	2023	2022
Debt securities	34.9%	42.1%
Foreign equities	34.3%	35.7%
Equity securities and other	30.8%	22.2%
Total	100.0%	100.0%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability and employee life and health, benefits asset are as follows:

	2023	2022
Accrued benefit obligation as at March 31:		
Discount rate	5.90%	5.10%
Rate of benefit increase		
2022	4.17%	2.00%
2023	7.00%	
2024	3.00%	
Thereafter	2.25%	
Benefit costs for years ended March 31:		
Discount rate	5.10%	5.10%
Rate of compensation increase	2.00%	2.00%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.90%	5.10%

(c) Joint Benefit Trust benefits:

The Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association, jointly with employers manage joint benefit trusts to provide long term disability and employee life and health benefits to these groups of employees. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2023, the Authority made contributions to these joint benefit trusts totalling \$21,225 thousand (2022- \$20,306 thousand).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

9. Employee benefits (continued):

(d) Employee pension benefits:

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

Employer contributions to the Municipal Pension Plan of \$37,565 thousand (2022 - \$37,600 thousand) 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 December 31, 2021, indicated a surplus of approximately \$3,761 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 240,000 active members, of which approximately 7,771 are employees of the Authority. 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 \$145 thousand (2022 - \$187 thousand) 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 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 68,000 active members, of which approximately 17 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2023.

10. Deferred capital contributions:

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

	2023	2022
Deferred capital contributions, beginning of year	\$ 853,944	\$ 649,385
Capital contributions received:		
Ministry of Health	253,789	178,539
Regional Hospital Districts	94,500	65,048
Foundations and Auxiliaries	1,671	1,827
Other	1,716	4,623
	351,676	250,037
Amortization for the year	(46,950)	(45,478)
Deferred capital contributions, end of year	\$ 1,158,670	\$ 853,944

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

10. Deferred capital contributions (continued):

Deferred capital contributions comprise of the following:

	2023	2022
Contributions used to purchase tangible capital assets	\$ 1,068,963	\$ 767,468
Unspent contributions	89,707	86,476
	<u>\$ 1,158,670</u>	<u>\$ 853,944</u>

11. Asset retirement obligation

The Authority owns and operates facilities that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The Authority also owns underground fuel storage tanks, and the removal of fuel storage tanks is regulated to reduce the risk of release of petroleum products.

Following the adoption of PS3280 – Asset retirement obligations, the Authority recognized an obligation relating to the removal of the asbestos and for the cost of safe disposal of underground fuel storage tanks. The transition and recognition of asset retirement obligations involved an accompanying increase to the Buildings capital assets and the restatement of prior year numbers (see note 2).

Changes to the asset retirement obligation in the year are as follows:

	2023	2022
		(Restated - note 2)
Asset retirement obligation, beginning of year	\$ 41,612	\$ 40,482
Accretion expense	2,560	1,130
Asset retirement obligation, end of year	<u>\$ 44,172</u>	<u>\$ 41,612</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

12. Tangible capital assets:

Cost	2022	Additions	Disposals	Transfers	2023
Land	\$ 4,780	\$ -	\$ -	\$ -	\$ 4,780
Land improvements	5,823	-	(15)	-	5,808
Buildings	988,768	-	(544)	8,573	996,797
Equipment and vehicles	207,879	-	(16,074)	27,848	219,653
Information systems	118,055	-	(2,923)	7,177	122,309
Leasehold improvements	14,370	-	-	107	14,477
Construction in progress	213,352	315,736	-	(8,540)	520,548
Equipment and information systems in progress	21,599	32,853	-	(35,165)	19,287
Total	\$ 1,574,626	\$ 348,589	\$ (19,556)	\$ -	\$ 1,903,659

Accumulated amortization	2022	Amortization	Disposals	Transfers	2023
Land improvements	\$ 5,324	\$ 203	\$ (15)	\$ -	\$ 5,512
Buildings	485,042	22,905	(506)	-	507,441
Equipment and vehicles	153,941	17,114	(15,520)	-	155,535
Information systems	100,154	8,988	(2,922)	-	106,220
Leasehold improvements	7,892	1,497	-	-	9,389
Total	\$ 752,353	\$ 50,707	\$ (18,963)	\$ -	\$ 784,097

Cost	2021	Additions	Disposals	Transfers	2022
					(Restated - note 2)
Land	\$ 4,780	\$ -	\$ -	\$ -	\$ 4,780
Land improvements	5,823	-	-	-	5,823
Buildings	984,112	-	(99)	4,755	988,768
Equipment and vehicles	199,260	-	(10,750)	19,369	207,879
Information systems	112,908	-	(21)	5,168	118,055
Leasehold improvements	12,259	-	-	2,111	14,370
Construction in progress	49,407	170,881	-	(6,936)	213,352
Equipment and information systems in progress	12,346	33,720	-	(24,467)	21,599
Total	\$ 1,380,895	\$ 204,601	\$ (10,870)	\$ -	\$ 1,574,626

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Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

12. Tangible capital assets (continued):

Accumulated amortization	2021	Amortization	Disposals	Transfers	2022
					(Restated - note 2)
Land improvements	\$ 5,072	\$ 252	\$ -	\$ -	\$ 5,324
Buildings	462,141	23,000	(99)	-	485,042
Equipment and vehicles	146,702	17,521	(10,282)	-	153,941
Information systems	92,791	7,384	(21)	-	100,154
Leasehold improvements	6,513	1,379	-	-	7,892
Total	\$ 713,219	\$ 49,536	\$ (10,402)	\$ -	\$ 752,353

Net book value	2023	2022
		(Restated - note 2)
Land	\$ 4,780	\$ 4,780
Land improvements	296	499
Buildings	489,356	503,726
Equipment and vehicles	64,118	53,938
Information systems	16,089	17,901
Leasehold improvements	5,088	6,478
Construction in progress	520,548	213,352
Equipment and information systems in progress	19,287	21,599
Total	\$ 1,119,562	\$ 822,273

Tangible capital assets are funded as follows:

	2023	2022
		(Restated - note 2)
Deferred capital contributions	\$ 1,068,963	\$ 767,468
Public-private partnership	29,848	30,101
Internally funded	17,208	20,866
Debt	3,543	3,838
Tangible capital assets	\$ 1,119,562	\$ 822,273

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

13. Inventories held for use:

	2023	2022
Pharmaceuticals	\$ 4,786	\$ 4,106
Medical supplies	3,759	3,641
	<u>\$ 8,545</u>	<u>\$ 7,747</u>

14. Commitments and contingencies:

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

As at March 31, 2023, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$324,150 thousand (2022 – \$442,659 thousand).

- (b) Contractual obligations:

The Authority has entered into various contracts for services within normal course of operations. The estimated contractual obligations under these contracts are as follows:

2024	\$	62,223
2025		36,293
2026		29,707
2027		28,354
2028		14,425
Thereafter		129
	<u>\$</u>	<u>171,131</u>

- (c) Long term care contracts:

The Authority has entered into contracts with four service providers to provide long term care services. The aggregate annual commitments for these contracts for the years ending March 31 are as follows:

2024	\$	13,766
2025		13,127
2026		13,389
2027		13,657
2028		13,930
Thereafter		163,522
	<u>\$</u>	<u>231,391</u>

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

14. Commitments and contingencies (continued):

(d) Operating leases:

The aggregate minimum future annual rentals under operating leases are as follows:

2024	\$	10,335
2025		9,267
2026		6,739
2027		5,159
2028		3,535
Thereafter		8,287
	\$	43,322

(e) Public-private partnership (P3) commitments:

The Authority has entered into a multiple-year P3 contract to design, build, finance, and maintain the Fort St. John Hospital and Residential Care Project. The information presented below shows the anticipated cash outflow for all future obligations under this contract for the capital cost and financing of the asset, the facility maintenance ("FM") and the lifecycle costs. Construction costs are recorded as a capital asset and the corresponding liabilities are recorded as debt and disclosed in note 7. FM and life cycle payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

	Interest on Debt	FM and lifecycle	Debt repayment	Total payments
2024	\$ 4,405	\$ 8,093	\$ 110	\$ 12,608
2025	4,389	8,437	(62)	12,764
2026	4,398	8,246	314	12,958
2027	4,352	8,332	871	13,555
2028	4,223	8,534	1,232	13,989
Thereafter	48,931	132,866	27,383	209,180
	\$ 70,698	\$ 174,508	\$ 29,848	\$ 275,054

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

14. Commitments and contingencies (continued):

(f) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Authority'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 the Authority has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have material effect on the Authority'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.

(g) Resident trust:

Various facilities operated by the Authority hold resident comfort funds in trust for the residents. The total amount for all trusts is \$161 thousand (2022 - \$195 thousand).

15. Statement of operations:

(a) Patients, clients and residents revenue:

	2023		2022	
Long-term and extended care	\$	26,275	\$	24,841
Non-residents of BC		9,011		8,315
WorkSafe BC		5,823		6,013
Non-residents of Canada		2,442		1,064
Uninsured residents		1,665		1,344
Residents of BC-self pay		1,625		1,441
Other		930		1,018
	\$	47,771	\$	44,036

(b) Other contributions:

	2023		2022	
Provincial Health Services Authority	\$	6,730	\$	6,800
Other BC government reporting entities		3,852		6,087
Other		5,820		6,679
	\$	16,402	\$	19,566

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

15. Statement of operations (continued):

(c) Other revenues:

	2023	2022
Recoveries from the sale of goods and services	\$ 8,150	\$ 6,179
Compensation recoveries	7,475	5,641
Other	3,065	2,983
	\$ 18,690	\$ 14,803

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

	2023	2022
Compensation:		
Compensation	\$ 602,057	\$ 545,248
Employee benefits	145,450	126,057
Purchased services - physicians	124,134	121,001
	871,641	792,306
Supplies:		
Medical and surgical	30,332	28,721
Drugs and medical gases	23,269	24,251
Diagnostic	13,690	17,755
Food and dietary	11,314	9,688
Laundry and linen	5,047	4,926
Housekeeping	3,353	3,141
Printing, stationery and office	2,403	2,112
Other	7,772	7,158
	97,180	97,752
Referred-out and contracted services:		
Health and support service providers	78,150	77,543
Other health authorities and BC government reporting entities	9,302	8,434
	87,452	85,977
Amortization of tangible capital assets	50,707	49,536
Equipment and building services:		
Equipment expenses	30,263	26,833
Rent	15,533	12,671
Utilities	12,313	11,618
Service contracts	6,885	5,815
Other	8,460	6,766
	73,454	63,703

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

15. Statement of operations (continued):

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

	2023	2022
Sundry:		
Travel and accommodation	5,694	2,880
Professional fees	4,086	4,347
Patient transport	3,250	3,337
Communication and data processing	3,140	3,233
Other	18,389	18,149
	<u>34,559</u>	<u>31,946</u>
Interest on debt	4,540	4,615
Loss on disposal of tangible capital assets	531	283
	<u>\$ 1,220,064</u>	<u>\$ 1,126,118</u>

16. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2023	2022
Accounts receivable	\$ (84,001)	\$ (14,541)
Accounts payable and accrued liabilities	81,133	34,628
Deferred operating contributions	(1,292)	(2,492)
Inventories held for use	(798)	303
Prepaid expenses	(1,626)	(1,130)
	<u>\$ (6,584)</u>	<u>\$ 16,768</u>

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

16. Supplementary cash flow information (continued):

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from purchase of tangible capital assets on the statement of cash flow.

	2023		2022	
Externally funded acquisitions	\$	301,224	\$	179,171
Internally funded acquisitions		144		1,188
		301,368		180,359
Debt funded acquisitions		47,221		24,242
	\$	348,589	\$	204,601

(c) Supplementary cash flow information:

	2023		2022	
Interest paid	\$	4,540	\$	4,615
Interest received	\$	6,249	\$	917

17. Related party and other agency operations:

The following are types of related parties. Disclosure of values for related party transactions is only required if the values are different from that which would have been arrived at if the parties were unrelated.

(a) BC government reporting entities:

The Authority is related through common control 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. The health authorities, provide various services to each other relating to the provision of healthcare and other support services. The related revenues and expenses are reflected in the statement of operations and are recorded on a cost recovery basis, as the entities would have otherwise delivered the services themselves. As a result, the values recorded in the financial statements approximate fair value.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

17. Related party and other agency operations (continued):

(b) Key management personnel

The Authority has deemed the Board of Directors and Senior Executive Team, and their close family members to be key management personnel for the purpose of PS 2200 Related Party Disclosure.

(c) Foundations and auxiliaries:

Within the Authority area, there are 27 separate health care foundations and auxiliaries, which were established to raise funds for their respective hospitals and/or community health services organizations. The foundations and auxiliaries are separate legal entities incorporated under the *Societies Act (British Columbia)* with separate governance structures. The foundations and the auxiliaries are registered charities under the provisions of the *Income Tax Act* of Canada. The financial and non-financial assets and liabilities and results from operations of the foundations and auxiliaries are not included in the financial statements of the Authority. During the year, the foundations and auxiliaries granted \$2,147 thousand (2022 - \$2,203 thousand) to various facilities within the Authority.

(c) Foundations and auxiliaries (continued):

Auxiliary to GR Baker Memorial Hospital	Mackenzie Hospital Auxiliary
Bulkley Valley & District Hospital Auxiliary	Max Lang Estate
Bulkley Valley Health Care & Hospital Foundation	McBride & District Hospital Auxiliary
Burns Lake & District Health Care Auxiliary	Mills Memorial Hospital Auxiliary
Chetwynd Hospital Foundation	North Coast Health Improvement Society
Dawson Creek & District Auxiliary Society	Prince Rupert Regional Hospital Auxiliary
Dawson Creek Hospital Foundation	QCI Hospital Days Foundation
Dr. REM Lee Foundation	Spirit of the North Health Care Foundation
Fort Nelson Hospital & Healthcare Foundation	St. John Hospital Auxiliary Society
Fort Nelson Hospital Auxiliary	Stuart Lake Hospital Auxiliary Society
Fort St. John Hospital Foundation	Tumbler Ridge Health Centre Foundation
Fort St. John Hospital Ladies Auxiliary	Wrinch Memorial Foundation
Kitimat General Hospital Auxiliary	Wrinch Memorial Hospital Auxiliary
Kitimat Hospital Foundation	

18. Risk management:

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

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

18. Risk management (continued):

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents and accounts receivable. The Authority manages credit risk, by holding balances of cash and cash equivalents with top rated financial institutions. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

Accounts receivable primarily consist 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, the Authority periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectable amounts. As at March 31, 2023, the amount of allowance for doubtful accounts was \$1,301 thousand (2022 - \$1,520 thousand).

(b) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. It is the Authority's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Authority's principal source of funding is from the Ministry. The Authority 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. The Authority has complied with the external restrictions on the funding provided.

All financial assets mature within one year. The table below shows when various financial liabilities mature:

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

18. Risk management (continued):

(b) Liquidity risk (continued):

2023 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 225,521	\$ -	\$ -	\$ 225,521
Obligations under public-private partnership	110	2,355	27,383	29,848
Debt	302	1,275	1,966	3,543
	\$ 225,933	\$ 3,630	\$ 29,349	\$ 258,912

2022 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 144,388	\$ -	\$ -	\$ 144,388
Obligations under public-private partnership	253	1,233	28,615	30,101
Debt	295	1,256	2,287	3,838
	\$ 144,936	\$ 2,489	\$ 30,902	\$ 178,327

(c) Foreign exchange risk

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

The Authority makes payments denominated in US dollars, and other currencies. Currencies most contributing to the foreign exchange risk are US dollars.

The Authority 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.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

19. Budget

The original budget, as approved by the board on June 13, 2022, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocations between accounts. The changes are as follows:

	Board approved plan	Additional Ministry contributions	Reallocations	Restated budget
Revenue:				
Ministry of Health contributions	\$ 869,800	\$ 106,700	\$ (100)	\$ 976,400
Medical Services Plan	115,600	-	6,200	121,800
Amortization of deferred capital contributions	50,200	-	(3,000)	47,200
Patients, clients and residents	47,300	-	(100)	47,200
Other contributions	18,500	-	(500)	18,000
Recoveries from other health authorities and BC government reporting entities	17,400	-	900	18,300
Investment income	1,000	-	400	1,400
Other revenues	13,300	-	(200)	13,100
	\$ 1,133,100	\$ 106,700	\$ 3,600	\$ 1,243,400
Expenses:				
Acute	\$ 592,700	\$ 60,000	\$ (10,500)	\$ 642,200
Community care	185,700	9,000	23,800	218,500
Long term care	146,300	10,300	(6,800)	149,800
Mental health and substance use	82,100	6,600	1,700	90,400
Population health and wellness	35,400	4,800	(400)	39,800
Corporate	90,900	16,000	(4,200)	102,700
	\$ 1,133,100	\$ 106,700	\$ 3,600	\$ 1,243,400
Annual operating surplus	\$ -	\$ -	\$ -	\$ -

20. Comparative figures:

Certain comparative information has been reclassified to conform with current year's financial statement presentation

21. Annual operating surplus:

The Authority's annual operating surplus (deficit) of \$842 thousand (2022 – deficit (\$299) thousand restated) can be broken down as follows:

	2023	2022
Annual operating surplus before the following:	\$ 842	\$ 732
Actuarial (loss) gain on long-term disability (note 9(b))	(8,868)	99
Asset retirement obligation accretion expense (note 11)	(2,560)	(1,130)
Ministry of Health supplemental funding	11,428	-
Annual operating surplus (deficit)	\$ 842	\$ (299)

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2023

22. Significant event:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, followed by BC's Provincial Health Officer declaration of a public health emergency on March 17, 2020. The financial statements of the Authority reflect its response to the pandemic. Events that affect the Authority's operations continued to be addressed through collaboration with and direction from the Ministry of Health. The Authority will continue to respond appropriately to ongoing COVID-19 related issues as necessary and as directed by provincial authorities.