



NANAIMO REGIONAL HOSPITAL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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To the Members of the Board of the Nanaimo Regional Hospital District

This statement is provided to clarify and outline the roles and responsibilities of the management team, the elected Board of Directors and the independent auditors in relation to the preparation and review of the Nanaimo Regional Hospital District's annual financial results.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Regional Hospital District's Board of Directors is composed entirely of Directors who are neither management nor employees of the Regional Hospital District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating authority for the approval of the consolidated financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for the appointment of the Regional Hospital District's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

MNP LLP, an independent firm of Chartered Professional Accountants, has been appointed by the Regional Hospital District Board of Directors to audit the consolidated financial statements and report to them; their report follows.

May 11, 2021



Director of Finance

To the Members of the Board of the Nanaimo Regional Hospital District:

Opinion

We have audited the financial statements of the Nanaimo Regional Hospital District (the "Regional Hospital District"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, accumulated surplus, changes in net financial assets and cash flows and the related schedule D for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional Hospital District as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 report. We are independent of the Regional Hospital District 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.

Other Matter

The supplementary information on Schedules A, B and C has been presented for purposes of additional analysis and is unaudited. We do not express an opinion on these schedules because our examination did not extend to the detailed information therein.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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 Regional Hospital District'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 Regional Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Hospital District'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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Hospital District'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 Regional Hospital District'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 Regional Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Nanaimo, British Columbia

May 11, 2021

MNP LLP

Chartered Professional Accountants

NANAIMO REGIONAL HOSPITAL DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 3,000,935	\$ 2,894,242
Portfolio investments	17,618,069	14,007,004
Accounts receivable	<u>2,765</u>	<u>11,098</u>
	<u>20,621,769</u>	<u>16,912,344</u>
Financial Liabilities		
Short term debt (Note 2)	3,214,662	1,796,705
Accounts payable	3,294,912	957,962
Accrued liabilities (Note 3)	261,306	281,425
Long term debt (Schedule D) (Note 4)	<u>26,610,943</u>	<u>25,733,810</u>
	<u>33,381,823</u>	<u>28,769,902</u>
Net Debt and Accumulated Deficit (Note 7)	<u>\$ (12,760,054)</u>	<u>\$ (11,857,558)</u>



Jeannie Bradburne, CPA, CGA, MBA
Director of Finance

The accompanying notes are an integral part of these financial statements.

NANAIMO REGIONAL HOSPITAL DISTRICT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget	2020	2019
	(Note 8)		
Revenues			
Property tax requisition	\$ 7,860,766	\$ 7,860,766	\$ 7,631,812
Payments-in-lieu of taxes	30,000	30,996	31,123
Investment income	150,000	651,770	361,649
Other revenue	-	6,488	-
	<u>8,040,766</u>	<u>8,550,020</u>	<u>8,024,584</u>
Expenses			
Administration	(Note 9) 108,400	108,400	106,300
Long term debt issue costs	58,150	27,802	-
Grants to health care facilities	1,422,318	8,371,542	3,440,657
Short term debt interest and bank charges	107,247	45,680	28,874
Interest on long term debt	1,020,600	899,092	1,043,409
	<u>2,716,715</u>	<u>9,452,516</u>	<u>4,619,240</u>
(Deficit) Surplus for the year	5,324,051	(902,496)	3,405,344
Opening, Net Debt and Accumulated Deficit	<u>(11,857,558)</u>	<u>(11,857,558)</u>	<u>(15,262,902)</u>
Ending, Net Debt and Accumulated Deficit	<u>\$ (6,533,507)</u>	<u>\$ (12,760,054)</u>	<u>\$ (11,857,558)</u>

The accompanying notes are an integral part of these financial statements.

NANAIMO REGIONAL HOSPITAL DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Operating transactions		
(Deficit) Surplus for the year	\$ (902,496)	\$ 3,405,344
Non-cash items included in surplus		
Debt actuarial adjustments	(439,405)	(376,063)
Change in non-cash working capital balances		
Decrease in accounts receivable	8,333	4,724
Increase (Decrease) in accounts payable	2,336,950	(436,340)
Decrease in accrued liabilities	(20,119)	(2,826)
Net increase in cash from operations	<u>983,263</u>	<u>2,594,839</u>
Financing transactions		
Increase in short term debt	1,417,957	949,392
Long term debt proceeds	2,780,195	-
Repayment of long term debt	(1,463,657)	(1,458,047)
Net increase (decrease) in cash from financing	<u>2,734,495</u>	<u>(508,655)</u>
Net change in cash and investments	3,717,758	2,086,184
Cash and investments, beginning	<u>16,901,246</u>	<u>14,815,062</u>
Cash and investments, ending	<u>\$ 20,619,004</u>	<u>\$ 16,901,246</u>
CASH AND INVESTMENTS CONSIST OF:		
Cash	\$ 3,000,935	\$ 2,894,242
Portfolio investments	<u>17,618,069</u>	<u>14,007,004</u>
	<u>\$ 20,619,004</u>	<u>\$ 16,901,246</u>

The accompanying notes are an integral part of these financial statements.

**NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020**

The Nanaimo Regional Hospital District (“the Regional Hospital District”) is incorporated under the Hospital District Act. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Regional Hospital District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Regional Hospital District are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Regional Hospital District are as follows:

(a) Basis of Accounting

The Regional Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Taxation

Each Municipality and Electoral Area within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, and the Province for Electoral Areas, to taxpayers and remitted to the Regional Hospital District by August 1 of each year.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the *Community Charter*.

(d) Long Term Debt

Long term debt is obtained through the Municipal Finance Authority of British Columbia (MFA) whose policy is to issue debt denominated in Canadian dollars.

(e) Portfolio investments

Portfolio investments are comprised of investments held in the Municipal Finance Authority of British Columbia pooled investments where market-based unit values are allocated amongst the participants in the investment pool, and other long term investments which are carried at cost and have a maturity period of greater than one year. Investment income is reported in the period earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, short term debt, accounts payable, accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the Nanaimo Regional Hospital District is not exposed to significant currency or credit risk arising from these financial instruments. The Regional Hospital District is exposed to interest rate risk primarily through its variable rate short term financing with the Municipal Finance Authority. Interest rate risk is the risk that the Regional Hospital District may incur higher costs if interest rates increase more than anticipated over the course of short term financing.

(g) Revenue Recognition

Property tax requisitions are recognized in the period in which they are levied. Payments-in-lieu of taxes and other revenues are recognized when amounts are known and collectability is reasonably assured. Interest revenue is recognized when earned.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring management estimates are the determination of accrued liabilities. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

2. SHORT TERM DEBT

Short term financing is secured through the Municipal Finance Authority of British Columbia. The interest rate was 1.21% as at December 31, 2020 (2019, 2.58%). Short term borrowing is replaced by long term debt periodically when balances and interest rates are considered appropriate.

**NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020**

3. ACCRUED LIABILITIES

Accrued liabilities arise from accrued interest on outstanding long term debt.

4. LONG TERM DEBT

All long term debt is issued through the Municipal Finance Authority of British Columbia. The Authority is a borrowing agent for municipalities and regional districts in the Province of British Columbia. All long term debt issued by the Municipal Finance Authority is sinking fund debt. Long term debt may only be repaid earlier than maturity where the Municipal Finance Authority refinances an issue which includes a particular long term debt issued to the Regional Hospital District.

Issued and outstanding debt including issue numbers and maturity dates are listed on Schedule D to these financial statements.

Payments of principal on issued debt of the Regional Hospital District for the next five years are approximately as follows:

2021	\$ 1,584,045
2022	\$ 1,756,656
2023	\$ 1,762,706
2024	\$ 1,752,682
2025	\$ 1,759,045

5. APPROPRIATED EQUITY

The Regional Hospital District has committed all of the Capital Grant Funds to approved capital purchases for the Vancouver Island Health Authority.

6. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE DEPOSITS

The Regional Hospital District secures its long-term borrowing through the Municipal Finance Authority of British Columbia (MFA). As a condition of these borrowings, a portion of the debenture proceeds are retained by the Authority as a debt reserve fund.

**NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020**

6. MUNICIPAL FINANCE AUTHORITY DEBT RESERVE DEPOSITS (CONTINUED)

Upon the maturity of the debt issue, the debt reserve fund plus any interest earned less expenditures for the issue will be discharged to the Regional Hospital District. Due to their contingent nature neither the asset nor liability are recorded in the financial statements. The balance of the MFA debt reserve fund is as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ <u>542,487</u>	\$ <u>509,614</u>

7. ACCUMULATED DEFICIT

The Accumulated Deficit is made up of the following individual fund equity amounts.

	<u>2020</u>	<u>2019</u>
Revenue Fund (Schedule A)	\$ 15,342,066	\$ 11,898,946
Capital Grant Fund (Schedule B)	4,015,090	4,385,116
Capital Loan Fund (Schedule C)	<u>(32,117,210)</u>	<u>(28,141,620)</u>
Accumulated Deficit	\$ <u>(12,760,054)</u>	\$ <u>(11,857,558)</u>

The Revenue Fund includes those transactions which are funded primarily by the annual property tax requisition and includes debt repayments and capital grants to the Vancouver Island Health Authority.

The Capital Grant Fund includes amounts disbursed or to be disbursed directly to the Vancouver Island Health Authority in accordance with approved capital plans.

The Capital Loan Fund includes amounts related to long term debt raised to finance capital expenditures approved through bylaws adopted by the Regional Hospital District for the purposes of the Vancouver Island Health Authority.

**NANAIMO REGIONAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2020**

8. BUDGET FIGURES

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 10, 2020.

Reconciliation of Board approved budget:

Net surplus per approved budget Bylaw No. 170	\$ -
Adjusted for:	
Prior year surplus	(422,448)
Interest on long term debt	(1,020,600)
Transfer to reserve	3,823,318
Debt servicing	<u>2,943,781</u>
Surplus per Statement of Operations	<u>\$ 5,324,051</u>

9. RELATED PARTY TRANSACTIONS

The Regional District of Nanaimo is related to the Regional Hospital District since the same individuals are members of the board of directors of both organizations. During the year, administrative support services supplied to the Regional Hospital District by the Regional District of Nanaimo totalled \$108,400 (2019: \$106,300).

10. STATEMENT OF CHANGES IN NET DEBT

A statement of changes in net debt has not been prepared as the Regional Hospital District does not have any non-financial assets and a reconciliation of Net Debt to Accumulated Deficit does not provide any further meaningful information.

SCHEDULE A

**NANAIMO REGIONAL HOSPITAL DISTRICT
SCHEDULE OF REVENUE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	Budget	2020	2019
Revenues			
Property tax requisition	\$ 7,860,766	\$ 7,860,766	\$ 7,631,812
Payments-in-lieu of taxes	30,000	30,996	31,123
Investment income	150,000	651,770	361,649
Other revenue	-	6,488	-
	<u>8,040,766</u>	<u>8,550,020</u>	<u>8,024,584</u>
Expenses			
Administration	108,400	108,400	106,300
Short term loan interest, bank charges, debt issue costs	165,397	73,482	28,874
Long term debt interest	1,460,005	1,338,497	1,419,471
Grants to Health Authority	-	700,545	-
	<u>1,733,802</u>	<u>2,220,925</u>	<u>1,554,645</u>
Operating Surplus	<u>6,306,964</u>	<u>6,329,095</u>	<u>6,469,939</u>
Transfer to Capital Grant Fund	1,422,318	1,422,318	1,409,672
Transfer to Capital Loan Fund for debt principal	1,463,657	1,463,657	1,458,047
	<u>2,885,975</u>	<u>2,885,975</u>	<u>2,867,719</u>
Surplus for the year	3,420,989	3,443,120	3,602,220
Prior year's surplus applied	<u>11,898,946</u>	<u>11,898,946</u>	<u>8,296,726</u>
Surplus, Ending	(Note 7) <u>\$ 15,319,935</u>	<u>\$ 15,342,066</u>	<u>\$ 11,898,946</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE B

**NANAIMO REGIONAL HOSPITAL DISTRICT
SCHEDULE OF CAPITAL GRANT FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	2020	2019
FUND BALANCE, BEGINNING	\$ 4,385,116	\$ 4,955,177
Transfer from Revenue Fund	1,422,318	1,409,672
Grants to Health Authority	<u>(1,792,344)</u>	<u>(1,979,733)</u>
FUND BALANCE, ENDING	(Note 7) <u><u>\$ 4,015,090</u></u>	<u><u>\$ 4,385,116</u></u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE C

**NANAIMO REGIONAL HOSPITAL DISTRICT
SCHEDULE OF CAPITAL LOAN FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)**

	2020	2019
FUND BALANCE, BEGINNING	\$ (28,141,620)	\$ (28,514,805)
Debt principal repayments	1,463,657	1,458,047
Debt actuarial adjustments	439,405	376,063
Grants to Health Authority	<u>(5,878,652)</u>	<u>(1,460,925)</u>
FUND BALANCE, ENDING	(Note 7) <u>\$ (32,117,210)</u>	<u>\$ (28,141,620)</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE D

NANAIMO REGIONAL HOSPITAL DISTRICT
SCHEDULE OF LONG TERM DEBT
AS AT DECEMBER 31, 2020

Issue	Bylaw No.	Maturity	Interest Rate	Original Requested	Outstanding 2020	Outstanding 2019	
72	110	June 01, 2020	1.670	125,258	-	9,367	
75	111	December 01,2021	5.690	318,086	24,308	47,461	
92	125/131	April 6,2020	4.550	175,155	-	15,148	
93	127	April 6,2025	5.100	4,071,247	1,217,284	1,442,885	
102	127	December 01,2027	4.820	8,100,000	3,577,298	4,012,798	
103	137	April 23, 2023	4.650	324,943	81,104	106,086	
110	139/127/144	April 8, 2030	4.500	3,083,688	1,690,010	1,855,229	
116	144	April 4, 2031	4.200	1,727,207	1,113,377	1,192,758	
121	150	October 4, 2032	2.900	645,028	445,437	473,942	
121	145.01	October 4, 2032	2.900	4,065,041	2,807,196	2,986,835	
121	142	October 4, 2027	2.900	406,504	219,444	246,159	
126	154	September 26, 2033	3.850	4,500,000	3,306,426	3,497,639	
126	145.01	September 26, 2033	3.850	2,100,000	1,542,999	1,632,231	
126	144	September 26, 2033	3.850	1,076,467	790,946	836,687	
126	140	September 26, 2028	3.850	815,000	493,524	545,025	
130	154	October 14, 2034	3.000	1,815,997	864,426	1,485,686	
130	156	October 14, 2034	3.000	1,112,155	1,411,489	909,866	
133	145	October 02, 2035	2.750	1,935,000	1,568,080	1,646,598	
142	161	October 04, 2037	3.150	1,075,027	951,367	993,811	
146	161	September 19, 2038	3.200	1,867,086	1,726,031	1,797,600	
152	161	October 02, 2040	1.280	479,121	479,121	-	
152	165	October 02, 2040	1.280	685,019	685,019	-	
152	166	October 02, 2040	1.280	1,616,055	1,616,055	-	
					\$42,119,084	\$ 26,610,943	\$ 25,733,810

The accompanying notes are an integral part of these financial statements.



 **NANAIMO REGIONAL
HOSPITAL DISTRICT**

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