

Financial Statements of

NORTHERN HEALTH AUTHORITY

Year ended March 31, 2019

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Northern Health Authority (the "Authority") for the year ended March 31, 2019 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, PricewaterhouseCoopers 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 9, 2019

ORIGINAL SIGNED BY

Mark De Croos
Vice President, Financial & Corporate Services/Chief Financial Officer
June 9, 2019



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements of Northern Health Authority (the Authority) as at March 31, 2019 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

The Authority's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations and accumulated surplus (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
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting

We draw attention to note 1(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 1 (a) to the consolidated financial statements provides a description of the nature of these differences. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 accounting requirements 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 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 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.



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.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Surrey, British Columbia
June 12, 2019

NORTHERN HEALTH AUTHORITY

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

	2019	2018
Financial assets		
Cash and cash equivalents (note 2)	\$ 72,080	\$ 79,807
Portfolio investments (note 2)	-	905
Accounts receivable (note 3)	41,448	30,404
Healthcare Benefit Trust benefits (note 8(b))	4,511	4,153
	118,039	115,269
Liabilities		
Accounts payable and accrued liabilities (note 4)	84,884	75,966
Deferred operating contributions (note 5)	7,962	10,508
Obligations under public-private partnership (note 6)	30,820	30,903
Debt (note 7)	4,767	5,428
Retirement allowance (note 8(a))	41,227	39,659
Replacement reserves (note 9)	1,362	1,391
Deferred capital contributions (note 10)	616,178	631,049
	787,200	794,904
Net debt	(669,161)	(679,635)
Non-financial assets		
Tangible capital assets (note 11)	656,394	671,186
Inventories held for use (note 12)	5,604	5,716
Prepaid expenses	3,800	3,399
	665,798	680,301
Accumulated surplus (deficit)	\$ (3,363)	\$ 666

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on behalf of the Board:

ORIGINAL SIGNED BY

Colleen Nyce, Director

ORIGINAL SIGNED BY

John Kurjata, Director

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2019

	2019 Budget (note 1(k),18)	2019	2018
Revenues:			
Ministry of Health contributions	\$ 645,529	\$ 651,247	\$ 618,380
Medical Services Plan	98,871	98,805	93,920
Amortization of deferred capital contributions	47,955	48,580	47,716
Patients, clients and residents (note 14(a))	41,636	43,636	42,279
Other contributions (note 14(b))	15,794	19,027	15,984
Recoveries from other health authorities and BC government reporting entities	11,933	13,025	11,984
Investment income	900	1,421	902
Other revenues (note 14(c))	12,361	16,913	11,833
	874,979	892,654	842,998
Expenses (note 14(d)):			
Acute	470,451	489,746	463,263
Community care	135,337	136,423	120,353
Long term care	119,518	123,011	114,167
Mental health and substance use	48,642	48,379	43,957
Population health and wellness	28,862	28,063	27,273
Corporate	72,169	71,061	70,626
	874,979	896,683	839,639
Annual operating surplus (deficit) (note 20)	-	(4,029)	3,359
Accumulated surplus (deficit), beginning of year	666	666	(2,693)
Accumulated surplus (deficit), end of year	\$ 666	\$ (3,363)	\$ 666

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, 2019

	2019 Budget (note 1(k))	2019	2018
Annual operating surplus (deficit)	\$ -	\$ (4,029)	\$ 3,359
Acquisition of tangible capital assets	(50,272)	(37,869)	(29,892)
Amortization of tangible capital assets	52,471	52,502	51,641
Loss on disposal of tangible capital assets	-	122	193
Proceeds from the disposal of tangible capital assets	-	37	62
	2,199	10,763	25,363
Consumption of inventories held for use	-	112	(375)
Change in prepaid expenses	-	(401)	2,705
	-	(289)	2,330
Decrease in net debt	2,199	10,474	27,693
Net debt, beginning of year	(679,635)	(679,635)	(707,328)
Net debt, end of year	\$ (677,436)	\$ (669,161)	\$ (679,635)

See accompanying notes to financial statements.

NORTHERN HEALTH AUTHORITY

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (4,029)	\$ 3,359
Items not involving cash:		
Amortization of deferred capital contributions	(48,580)	(47,716)
Amortization of tangible capital assets	52,502	51,641
Loss on disposal of tangible capital assets	122	193
Retirement allowance expense	3,528	3,394
Long-term disability benefits expense	15,233	8,217
	18,776	19,088
Net change in non-cash operating items (note 15(a))	(4,961)	8,125
Net change in accrued acquisition of tangible capital assets	(2,196)	(29)
Retirement allowance benefits paid	(1,960)	(2,852)
Long-term disability benefits contributions	(15,591)	(15,470)
Net change in cash from operating activities	(5,932)	8,862
Capital activities:		
Acquisition of tangible capital assets (note 15(b))	(35,673)	(29,863)
Proceeds from the disposal of tangible capital assets	37	62
Net change in cash used in capital activities	(35,636)	(29,801)
Investing activities:		
Change in portfolio investments	905	(24)
Net change in cash used in investing activities	905	(24)
Financing activities:		
Capital contributions	33,709	29,060
Repayment of obligations under public-private partnership	(83)	(12)
Repayment of debt	(661)	(707)
Change in replacement reserves	(29)	76
Net change in cash from financing activities	32,936	28,417
Increase (decrease) in cash and cash equivalents	(7,727)	7,454
Cash and cash equivalents, beginning of year	79,807	72,353
Cash and cash equivalents, end of year	\$ 72,080	\$ 79,807

Supplementary cash flow information (note 15(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, 2019

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

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal 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, 2019

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which 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 and portfolio investments:

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.

Portfolio investments include guaranteed income certificates and bonds and are recorded at fair value, which approximates cost, adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(c) Asset retirement obligations:

The Authority recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligations is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Asset retirement obligations (continued):

The liability is accreted to reflect the passage of time. At each reporting date, the Authority reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(d) 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 health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service 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 11 years (2018 – 11 years). Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(d) Employee benefits (continued):

(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.

(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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(ii) Inventories held for use:

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

(iii) Prepaid expenses:

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

(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. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided 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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(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.

(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. Portfolio investments, other than equity investments quoted in an active market, are reported at cost less any write-downs associated with a loss in value that is other than a temporary decline. 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.

NORTHERN HEALTH AUTHORITY

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

Year ended March 31, 2019

1. Significant accounting policies (continued):

(i) Financial instruments (continued):

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.

(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 2018/2019 Budget approved by the Board of Directors on April 15, 2018 and an updated budget on July 17, 2018. Note 18 reconciles the approved budget to the budget reflected in the statement of operations and accumulated surplus and the statement of changes in net debt.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(l) Newly adopted accounting standards:

Effective April 1, 2018, the Authority adopted PSAB issued PS 3430, Restructuring Transactions. This standard defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. The main features of PS 3430 are as follows:

- A restructuring transaction is a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the individual assets and individual liabilities transferred;
- The net effect of a restructuring transaction should be presented as a separate revenue or an expense item in the statement of operations;
- A recipient should recognize individual assets and liabilities received in a restructuring transaction at their carrying amount with applicable adjustments at the restructuring date;
- A transferor and a recipient should not restate their financial position or results of operations; and
- A transferor and a recipient should disclose sufficient information to enable users to assess the nature and financial effects of a restructuring transaction on their financial position and operations.

The adoption of the new standard did not have an impact to the Authority's financial statements.

(m) Future accounting standards:

(i) In March 2018, PSAB issued PS 3280, Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are as follows:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(m) Future accounting standards (continued):

- (i) PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the financial statements of the Authority.
- (ii) 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, 2022. Management is in the process of assessing the impact of adoption of PS3400 on the financial statements of the Authority.

2. Cash and cash equivalents and portfolio investments:

	2019	2018
Cash and cash equivalents	\$ 72,080	\$ 79,807
Portfolio investments	-	905
	\$ 72,080	\$ 80,712
Cash restricted for the following:		
Unspent capital contributions	20,896	23,239
Deferred operating contributions	7,962	10,508
P3 project	7,073	6,842
Replacement reserves	1,362	1,391
Patient comfort funds	215	230
	37,508	42,210
Unrestricted cash and cash equivalents and portfolio investments	34,572	38,502
	\$ 72,080	\$ 80,712

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

3. Accounts receivable:

	2019	2018
Medical Services Plan	\$ 14,525	\$ 13,096
Ministry of Health	7,186	493
Other health authorities and BC government reporting entities	5,917	7,632
Patients, clients and residents	4,381	4,376
Regional Hospital Districts	2,525	606
Foundations and auxiliaries	1,803	1,196
WorkSafe BC	1,258	1,018
Federal government	467	767
Other	4,390	2,156
	42,452	31,340
Allowance for doubtful accounts (note 17 (a))	(1,004)	(936)
	\$ 41,448	\$ 30,404

4. Accounts payable and accrued liabilities:

	2019	2018
Trade accounts payable and accrued liabilities	\$ 30,509	\$ 26,134
Salaries and benefits payable	29,674	25,223
Accrued vacation pay	24,701	24,609
	\$ 84,884	\$ 75,966

5. Deferred operating contributions:

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

	2019	2018
Deferred operating contributions, beginning of year	\$ 10,508	\$ 9,467
Contributions received during the year	5,844	7,922
Transferred to deferred capital contributions	(2,923)	(2,298)
Amounts recognized as revenue in the year	(5,467)	(4,583)
Deferred operating contributions, end of year	\$ 7,962	\$ 10,508

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

6. Obligations under public-private partnership:

	2019	2018
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	\$ 30,820	\$ 30,903
	\$ 30,820	\$ 30,903

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

2020	\$	(31)
2021		288
2022		462
2023		253
2024		110
Thereafter		29,738
	\$	30,820

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

7. Debt:

Mortgages:

	2019	2018
Mortgages payable to Canada Mortgage and Housing Corporation ("CMHC"), at interest rates of 2.11% and 2.26% payable in blended payments of \$46,190. The mortgages are secured by first charges on properties. Two of the three mortgages mature in 2019. The remaining mortgage matures in February 2028.	\$ 1,324	\$ 1,843
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.	1,981	2,065
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.	1,462	1,520
	\$ 4,767	\$ 5,428

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

2020	\$ 360
2021	280
2022	287
2023	294
2024	302
Thereafter	3,244
	\$ 4,767

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

8. 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, 2018 and extrapolated to March 31, 2019 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2019 are derived.

Information about retirement allowance benefits is as follows:

	2019	2018
Accrued benefit liability:		
Severance benefits	\$ 21,501	\$ 20,701
Sick leave benefits	14,139	14,393
	35,640	35,094
Unamortized actuarial gain	5,587	4,565
Accrued benefit liability	\$ 41,227	\$ 39,659

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

	2019	2018
Accrued benefit liability, beginning of year	\$ 39,659	\$ 39,117
Net benefit expense:		
Current service cost	2,676	2,653
Interest expense	1,444	1,345
Amortization of actuarial gain	(592)	(604)
Net Benefit Expense	3,528	3,394
Benefits paid	(1,960)	(2,852)
Accrued benefit liability, end of year	\$ 41,227	\$ 39,659

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Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

8. Employee benefits (continued):

(a) Retirement allowance (continued):

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

	2019	2018
Accrued benefit liability as at March 31:		
Discount rate	4.01%	4.01%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.01%	3.86%
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 ("health and welfare 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 health and welfare benefits after March 31, 2004. Accordingly, the Authority's net trust assets (liabilities) are reflected in these financial statements.

The Authority's assets (liabilities) as of March 31, 2019 are based on the actuarial valuation at December 31, 2018, extrapolated to March 31, 2019. The Authority's assets (liabilities) as of March 31, 2018 were based on the actuarial valuation at December 31, 2018. The next expected valuation will be as of December 31, 2019.

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

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

	2019	2018
Fair value of plan assets	\$ 59,164	\$ 60,511
Accrued benefit obligation	54,653	56,358
Net asset	\$ 4,511	\$ 4,153
	2019	2018
Net asset (liability), beginning of year	\$ 4,153	\$ (3,100)
Net benefit expense:		
Long-term disability expense	(12,024)	(11,827)
Interest expense	(3,189)	(3,146)
Return on assets	3,492	3,035
Employee payments	563	289
Contribution adjustment	54	192
Actuarial gain (loss)	(4,037)	3,183
	(15,141)	(8,274)
Transfer of affiliate pool surplus (deficit)	(92)	57
Net benefit expense:	(15,233)	(8,217)
Contributions to the plan	15,591	15,470
Net asset, end of year	\$ 4,511	\$ 4,153
Benefits paid to claimants	\$ 21,077	\$ 22,336

Actual rate of return on plan assets was 0.53% for the year ended December 31, 2018 (December 31, 2017 – 7.58%).

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

Plan assets consist of:

	2019	2018
Debt securities	39.6%	42.2%
Foreign equities	34.2%	34.4%
Equity securities and other	26.2%	23.4%
Total	100.0%	100.0%

The significant actuarial assumptions adopted in measuring the Authority's accrued long-term disability and health and welfare benefits asset (liability) are as follows:

	2019	2018
Accrued benefit obligation as at March 31:		
Discount rate	5.80%	5.80%
Rate of benefit increase	1.50%	1.50%
Benefit costs for years ended March 31:		
Discount rate	5.80%	5.30%
Rate of compensation increase	1.50%	1.50%
Expected future inflationary increases (CPI)	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.80%

(c) 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 \$31.9 million (2018 - \$30.6 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at December 31, 2015, indicated a surplus of approximately \$2,224 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 197,000 active members, of which approximately 7,080 are employees of the Authority. The next expected actuarial valuation date will be as of December 31, 2018 with results available in 2019.

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

8. Employee benefits (continued):

(c) Employee pension benefits (continued):

Employer contributions to the Public Service Pension Plan of \$0.308 million (2018 - \$0.327 million) were expensed during the year. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The most recent actuarial valuation for the plan at March 31, 2017, indicated a surplus of approximately \$1,896 million. The actuary does not attribute portions of the unfunded liability/surplus to individual employers. The plan covers approximately 62,000 active members, of which approximately 38 are employees of the Authority. The next actuarial valuation date will be as of March 31, 2020 with results available in early 2021.

(d) Other trust benefits:

Effective April 1, 2017, management of the long-term disability and health and welfare benefits being provided to Health Science Professionals Bargaining Association, Community Bargaining Association, and Facilities Bargaining Association employees transitioned to joint benefit trusts. Employer contributions to the joint benefit trusts are based on a specified percentage of payroll costs. During the year ended March 31, 2019, the Authority made contributions to these joint benefit trusts totalling \$15.462 million (2018- \$13.996 million).

9. Replacement reserves:

Under the terms of mortgage agreements with Canada Mortgage and Housing Corporation ("CMHC") and B.C. Housing Management Commission ("B.C. Housing"), the Authority is required to set aside certain amounts each year as a replacement reserve. Use of the reserve funds requires approval of CMHC or B.C. Housing, respectively.

The change in the replacement reserves is calculated as follows:

	2019	2018
Balance, beginning of year	\$ 1,391	\$ 1,315
Expenditures	(115)	(65)
Provision for replacement reserve funding	55	120
Interest on replacement reserves	31	21
Balance, end of year	\$ 1,362	\$ 1,391

NORTHERN HEALTH AUTHORITY

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

9. Replacement reserves (continued):

The replacement reserves by facility are as follows:

	2019	2018
Laurier Manor - Prince George	\$ 389	\$ 395
Parkside Intermediate Care Home - Prince George	249	229
Alward Place - Phase 1 - Prince George	182	186
Terraceview Lodge - Terrace	175	155
Alward Place - Phase 2 - Prince George	170	165
McConnell Estates - Terrace	168	236
Nick Grosse - Masset	29	25
	<u>\$ 1,362</u>	<u>\$ 1,391</u>

10. Deferred capital contributions:

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

	2019	2018
Deferred capital contributions, beginning of year	\$ 631,049	\$ 649,705
Capital contributions received:		
Regional Hospital District	15,610	11,417
Ministry of Health	14,388	14,343
Foundations and Auxiliaries	2,890	1,804
Other	821	1,496
	<u>33,709</u>	<u>29,060</u>
Amortization for the year	(48,580)	(47,716)
Deferred capital contributions, end of year	<u>\$ 616,178</u>	<u>\$ 631,049</u>

Deferred capital contributions comprise of the following:

	2019	2018
Contributions used to purchase tangible capital assets	\$ 595,282	\$ 607,810
Unspent contributions	20,896	23,239
	<u>\$ 616,178</u>	<u>\$ 631,049</u>

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

11. Tangible capital assets:

Cost	2018	Additions	Disposals	Transfers	2019
Land	\$ 4,780	\$ -	\$ -	\$ -	\$ 4,780
Land improvements	5,775	-	-	-	5,775
Buildings	949,718	-	(6,628)	7,492	950,582
Equipment and vehicles	184,086	-	(6,284)	15,480	193,282
Information systems	95,990	-	(1,494)	5,411	99,907
Leasehold improvements	7,326	-	(1,201)	84	6,209
Construction in progress	3,886	19,091	-	(7,612)	15,365
Equipment and information systems in progress	13,494	18,778	-	(20,855)	11,417
Total	\$ 1,265,055	\$ 37,869	\$ (15,607)	\$ -	\$ 1,287,317

Accumulated amortization	2018	Amortization	Disposals	Transfers	2019
Land improvements	\$ 4,624	\$ 243	\$ -	\$ -	\$ 4,867
Buildings	384,071	23,920	(6,628)	-	401,363
Equipment and vehicles	123,376	19,295	(6,171)	-	136,500
Information systems	75,834	8,811	(1,448)	-	83,197
Leasehold improvements	5,964	233	(1,201)	-	4,996
Total	\$ 593,869	\$ 52,502	\$ (15,448)	\$ -	\$ 630,923

Cost	2017	Additions	Disposals	Transfers	2018
Land	\$ 4,780	\$ -	\$ -	\$ -	\$ 4,780
Land improvements	5,835	-	(60)	-	5,775
Buildings	944,051	-	(1,258)	6,925	949,718
Equipment and vehicles	172,281	-	(11,163)	22,968	184,086
Information systems	90,573	-	(341)	5,758	95,990
Leasehold improvements	7,326	-	-	-	7,326
Construction in progress	4,995	5,816	-	(6,925)	3,886
Equipment and information systems in progress	18,144	24,076	-	(28,726)	13,494
Total	\$ 1,247,985	\$ 29,892	\$ (12,822)	\$ -	\$ 1,265,055

Accumulated amortization	2017	Amortization	Disposals	Transfers	2018
Land improvements	\$ 4,429	\$ 255	\$ (60)	\$ -	\$ 4,624
Buildings	361,165	24,094	(1,188)	-	384,071
Equipment and vehicles	116,042	18,325	(10,991)	-	123,376
Information systems	67,414	8,748	(328)	-	75,834
Leasehold improvements	5,745	219	-	-	5,964
Total	\$ 554,795	\$ 51,641	\$ (12,567)	\$ -	\$ 593,869

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

11. Tangible capital assets (continued):

Net book value	2019	2018
Land	\$ 4,780	\$ 4,780
Land improvements	908	1,151
Buildings	549,219	565,647
Equipment and vehicles	56,782	60,710
Information systems	16,710	20,156
Leasehold improvements	1,213	1,362
Construction in progress	15,365	3,886
Equipment and information systems in progress	11,417	13,494
Total	\$ 656,394	\$ 671,186

Tangible capital assets are funded as follows:

	2019	2018
Deferred capital contributions	\$ 595,282	\$ 607,810
Public-private partnership	30,820	30,903
Internally funded	25,525	27,045
Debt	4,767	5,428
Tangible capital assets	\$ 656,394	\$ 671,186

12. Inventories held for use:

	2019	2018
Pharmaceuticals	\$ 3,149	\$ 3,176
Medical supplies	2,455	2,540
	\$ 5,604	\$ 5,716

13. Commitments and contingencies:

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

As at March 31, 2019, the Authority had outstanding commitments for construction, equipment and information systems projects in progress of \$8.3 million (2018 – \$7.4 million).

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

13. Commitments and contingencies (continued):

(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:

2020	\$	20,726
2021		4,055
2022		620
2023		288
Thereafter		-
	\$	25,689

(c) Long term care contracts:

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

2020	\$	12,422
2021		12,168
2022		12,411
2023		12,659
2024		12,912
Thereafter		207,833
	\$	270,405

(d) Operating leases:

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

2020	\$	8,309
2021		6,049
2022		3,568
2023		2,228
2024		1,624
Thereafter		3,805
	\$	25,583

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Year ended March 31, 2019

13. Commitments and contingencies (continued):

(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 6. 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
2020	\$	4,549	\$	6,170	\$	(31)	\$	10,688
2021		4,553		6,027		288		10,868
2022		4,511		6,121		462		11,094
2023		4,443		6,513		253		11,209
2024		4,405		6,716		110		11,231
Thereafter		66,294		124,949		29,738		220,981
	\$	88,755	\$	156,496	\$	30,820	\$	276,071

(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, 2019, 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 \$215,229 (2018 - \$230,305).

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

13. Commitments and contingencies (continued):

(h) Asset retirement obligations:

The Authority has certain asset retirement obligations relating to several of its facilities that may contain asbestos which may require special handling procedures. At this time, the Authority has not recognized these asset retirement obligations as there are no current approved plans and the timing of the future demolition or renovation of the facilities is unknown and therefore the value of the future obligations cannot be reasonably estimated. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

14. Statement of operations:

(a) Patients, clients and residents revenue:

	2019	2018
Long-term and extended care	\$ 23,000	\$ 21,525
Non-residents of BC	7,964	8,355
WorkSafe BC	6,727	5,863
Non-residents of Canada	2,036	1,972
Residents of BC-self pay	1,952	2,720
Uninsured residents	905	713
Federal government	69	56
Other	983	1,075
	\$ 43,636	\$ 42,279

(b) Other contributions:

	2019	2018
Provincial Health Services Authority	\$ 6,497	\$ 6,518
Other BC government reporting entities	6,088	6,572
Other	6,442	2,894
	\$ 19,027	\$ 15,984

(c) Other revenues:

	2019	2018
Recoveries from the sale of goods and services	\$ 9,446	\$ 6,615
Compensation recoveries	3,826	3,532
Parking	1,034	713
Other	2,607	973
	\$ 16,913	\$ 11,833

NORTHERN HEALTH AUTHORITY

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14. Statement of operations (continued):

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

	2019	2018
Compensation:		
Compensation	\$ 425,052	\$ 403,934
Employee benefits	101,671	90,609
Purchased services - physicians	92,900	86,444
	619,623	580,987
Supplies:		
Medical and surgical	25,876	23,209
Drugs and medical gases	19,920	18,747
Diagnostic	11,150	10,593
Food and dietary	9,462	9,037
Laundry and linen	3,763	3,741
Housekeeping	2,477	2,401
Printing, stationery and office	1,995	1,697
Other	5,831	5,649
	80,474	75,074
Referred-out and contracted services:		
Health and support service providers	56,947	52,648
Other health authorities and BC government reporting entities	8,132	8,182
	65,079	60,830
Amortization of tangible capital assets	52,502	51,641
Equipment and building services:		
Equipment expenses	22,864	20,046
Utilities	10,460	9,981
Rent	9,546	9,335
Service contracts	5,207	4,534
Other	4,174	1,695
	52,251	45,591
Sundry:		
Patient transport	3,693	3,845
Travel and accommodation	3,446	2,652
Communication and data processing	2,544	2,838
Professional fees	2,475	2,582
Other	9,783	8,697
	21,941	20,614
Interest on debt	4,691	4,709
Loss on disposal of tangible capital assets	122	193
	\$ 896,683	\$ 839,639

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(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

15. Supplementary cash flow information:

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

	2019	2018
Accounts receivable	\$ (11,044)	\$ 2,245
Accounts payable and accrued liabilities	8,918	2,509
Deferred operating contributions	(2,546)	1,041
Inventories held for use	112	(375)
Prepaid expenses	(401)	2,705
	\$ (4,961)	\$ 8,125

(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.

	2019	2018
Externally funded acquisitions	\$ 36,052	\$ 29,190
Internally funded acquisitions	1,817	702
	\$ 37,869	\$ 29,892

(c) Supplementary cash flow information:

	2019	2018
Interest paid	\$ 4,691	\$ 4,709
Interest received	\$ 1,421	\$ 902

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Year ended March 31, 2019

16. 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, and PHSA (formally BC Clinical Support Services Society) 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.

(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 28 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 \$3.165 million (2018 - \$2.184 million) to various facilities within the Authority.

NORTHERN HEALTH AUTHORITY

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Year ended March 31, 2019

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

(c) Foundations and auxiliaries (continued):

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

17. 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.

(a) Credit risk

Credit risk primarily arises from the Authority's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their carrying amounts at the date of the statement of financial position.

The Authority manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments were in low risk instruments with varying maturities held with top rated financial institutions. The Authority periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

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, 2019, the amount of allowance for doubtful accounts was \$1.004 million (2018 - \$0.936 million).

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17. Risk management (continued):

(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:

2019 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 84,884	\$ -	\$ -	\$ 84,884
Obligations under public-private partnership	(31)	1,113	29,738	30,820
Debt	360	1,163	3,244	4,767
	\$ 85,213	\$ 2,276	\$ 32,982	\$ 120,471

2018 Financial liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 73,457	\$ -	\$ -	\$ 73,457
Obligations under public-private partnership	11	803	30,101	30,915
Debt	695	1,542	3,898	6,135
	\$ 74,163	\$ 2,345	\$ 33,999	\$ 110,507

(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.

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

17. Risk management (continued):

(c) Foreign exchange risk (continued):

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.

18. Budget

The original budget, as approved by the board on April 15, 2018, and July 17, 2018, 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	Reallocations	Restated budget
Revenue:			
Ministry of Health contributions	\$ 645,300	\$ 229	\$ 645,529
Medical Services Plan	98,900	(29)	98,871
Amortization of deferred capital contributions	48,100	(145)	47,955
Patients, clients and residents	41,600	36	41,636
Other contributions	15,800	(6)	15,794
Recoveries from other health authorities and BC government reporting entities	11,900	33	11,933
Investment income	900	-	900
Other revenues	12,400	(39)	12,361
	\$ 874,900	\$ 79	\$ 874,979
Expenses:			
Acute	\$ 470,100	\$ 351	\$ 470,451
Community care	135,000	337	135,337
Long term care	123,600	(4,082)	119,518
Mental health and substance use	47,900	742	48,642
Population health and wellness	29,500	(638)	28,862
Corporate	68,800	3,369	72,169
	\$ 874,900	\$ 79	\$ 874,979
Annual operating surplus	\$ -	\$ -	\$ -

NORTHERN HEALTH AUTHORITY

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2019

19. Comparative figures:

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

20. Annual operating surplus:

The Authority's annual operating deficit of \$4.029 million (2018 – surplus \$3.359 million) can be broken down as follows:

	2019	2018
Annual operating surplus before the following:	\$ 100	\$ 119
Actuarial gain (loss) on long-term disability (note 8(b))	(4,037)	3,183
Transfer of affiliate pool surplus (deficit) (note 8(b))	(92)	57
Annual operating surplus (deficit)	\$ (4,029)	\$ 3,359