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Okanagan-Similkameen Regional Hospital District

Financial Statements

For the year ended December 31, 2022

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Okanagan-Similkameen Regional Hospital District

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Okanagan-Similkameen Regional Hospital District (the "Hospital District") are the responsibility of management and have been approved by the Chief Administrative Officer and the Board Chair on behalf of the Board of Directors.

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Okanagan-Similkameen Regional Hospital District maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Okanagan-Similkameen Regional Hospital District is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board of Directors review the Okanagan-Similkameen Regional Hospital District's financial statements and recommend their approval to the Chief Administrative Officer and the Board Chair. The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, financial statements and external auditor's report.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. BDO Canada LLP has full and free access to the Board of Directors.

Jim Zaffino

Chief Administrative Officer

Martin Johansen

Board Chair

September 24, 2026

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Independent Auditor's Report

To the Board of Directors of the
Okanagan-Similkameen Regional Hospital District

Opinion

We have audited the financial statements of the Okanagan-Similkameen Regional Hospital District (the "Hospital District"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated deficit and the statement of cash flows 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 Okanagan-Similkameen Regional Hospital District as at December 31, 2022, and its results of operations and accumulated deficit 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 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.

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

Management is responsible for the preparation and fair presentation of these 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 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 Hospital District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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.

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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 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 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 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.

BDO Canada LLP

Chartered Professional Accountants

Kelowna, British Columbia
September 24, 2026

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Okanagan-Similkameen Regional Hospital District
Statement of Financial Position

December 31	2022	2021
Financial assets		
Cash and cash equivalents (Note 2)	**$ 11,737,691**	$ 13,744,790
Temporary investments (Note 2)	**9,169,254**	8,918,035
Accounts receivable	**11,771**	24,502
Debt reserve fund (Note 3)	**719,213**	703,600
	21,637,929	23,390,927
Financial Liabilities		
Accounts payable and accrued liabilities	**461,587**	1,145,501
Due to Regional District of Okanagan-Similkameen (Note 4)	**15,750**	8,748
Long-term debt (Note 5)	**63,819,241**	66,022,383
	64,296,578	67,176,632
Net debt	**(42,658,649)**	(43,785,705)
Non-financial assets		
Tangible capital assets (Note 6)	**93,000**	93,000
Accumulated deficit (Note 7)	**$(42,565,649)**	$ (43,692,705)

Approved on behalf of the Board of Directors

Jim Zaffino — Chief Administrative Officer

Martin Johansen — Board Chair

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

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Okanagan-Similkameen Regional Hospital District
Statement of Operations and Accumulated Deficit

For the year ended December 31	(Note 8) Budget	2022	2021
Revenues			
Tax requisitions	**$ 6,447,140**	**$ 6,447,140**	$ 6,447,140
Interest income	**30,000**	**551,503**	211,684
Actuarial earnings	**-**	**74,319**	53,743
Grant in lieu of taxes	**25,000**	**44,626**	40,943
Investment income	**-**	**15,714**	12,035
Total revenues for the year	**6,502,140**	**7,133,302**	6,765,545
Expenditures			
Capital grants	**$ 14,660,460**	**$ 4,107,266**	$ 5,206,012
Section 20 grants	**464,500**	**464,500**	426,200
Interest - long-term	**1,356,835**	**1,356,832**	1,360,426
Office supplies	**5,000**	**17**	8,626
Professional fees	**11,000**	**12,500**	12,500
Salaries and benefits	**69,365**	**65,131**	35,551
Total expenditures for the year	**16,567,160**	**6,006,246**	7,049,315
Annual surplus (deficit) (Note 7)	**(10,065,020)**	**1,127,056**	(283,770)
Accumulated deficit, beginning of year	**(43,692,705)**	**(43,692,705)**	(43,408,935)
Accumulated deficit, end of year	**$(53,757,725)**	**$(42,565,649)**	$ (43,692,705)

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

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Okanagan-Similkameen Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2022	2021
Cash flows from operating activities		
Cash from tax requisitions	**$ 6,504,497**	$ 6,495,717
Cash paid to suppliers and for grants	**(5,357,835)**	(3,840,231)
Interest paid	**(1,356,832)**	(1,360,426)
Interest, grants and other income received	**567,217**	223,718
	357,047	1,518,778
Cash flows from financing activities		
Repayment of debenture debt	**(2,112,928)**	(2,152,328)
Cash flows from investing activities		
Decrease (increase) in temporary investments	**(251,218)**	6,956,312
Increase (decrease) in cash for the year	**(2,007,099)**	6,322,762
Cash, beginning of year	**13,744,790**	7,422,028
Cash, end of year	**$ 11,737,691**	$ 13,744,790

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

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December 31, 2022

1. Summary of Significant Accounting Policies

Nature of Business

The Okanagan-Similkameen Regional Hospital District ("the Hospital District") is a governing agency for the hospitals in the Okanagan and Similkameen Health region and is incorporated under the Hospital District Act. Its principal activities include financing capital construction projects and capital equipment purchases for the health care facilities within the Okanagan-Similkameen Health Region.

The Hospital District provides funding for portions of hospital development and capital projects as set out by the Ministry of Health. The Board of Directors is composed of appointees from the municipalities in the Regional District of Okanagan-Similkameen and a director elected from each electoral area in the Regional District of Okanagan-Similkameen. Municipal directors serve until council decides to change the appointment. Directors from electoral areas serve for a four year term. The number of directors and the number of votes each may cast is based upon the population of the municipality or electoral area.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board ("PSAB").

PSAB requires expenditures to be presented by function on the statement of operations. As there is only one function for expenditures for the Hospital District, expenditures have been presented by object.

Temporary Investments

Temporary investments consist of deposits held at financial institutions.

Revenue Recognition

Taxation requisition revenues are recognized in the year in which they are levied. Interest income and other income is recognized as it is earned.

Capital Project Expenses

The Hospital District has no claim on the assets purchased as part of capital project expenses, and as such, has adopted the policy of expensing these amounts. The debenture debt interest expense associated with these capital projects is considered to be a normal part of operations.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

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1. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Hospital District's financial instruments consist of cash, temporary investments, MFA short-term financing, and long-term debt. Unless otherwise noted, it is management's opinion that the Hospital District is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of these instruments approximate the carrying values, unless otherwise noted.

Long-term Debt

Long-term debt is recorded net of related sinking fund balances and actuarial earnings.

Tangible Capital Assets

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are valued at acquisition cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset.

Tangible capital assets are made up of land only. No amortization is recorded against these assets.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Use of Estimates

The financial statements of the Hospital District have been prepared in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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2. Cash and Temporary Investments

	2022	2021
Consists of:		
Cash	**$ 11,737,691**	$ 13,744,790
Temporary Investments		
Term deposits	**6,555,225**	6,358,559
High interest savings account	**2,614,029**	2,559,476
	9,169,254	8,918,035
	$ 20,906,945	$ 22,662,825

Term deposits consist of the following:

Three three-year cashable GICs at 5.45% per annum, maturing September 2025.

The Hospital District has a line of credit with Valley First Credit Union with a credit limit of $500,000. This line of credit was not drawn upon in 2021 or 2022.

3. Debt Reserve Fund - Municipal Finance Authority

The Hospital District is required to obtain its long-term debt through the Municipal Finance Authority ("MFA"). As a condition of borrowing and as required by legislation, a debt reserve fund is to be established in the amount of one-half the average installment of principal and interest as set out in the agreements entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds. The total debt reserve fund as at December 31, 2022 is $719,213 (2021 - $703,600). The remainder is funded by a demand note whereby the Hospital District may be required to loan certain amounts to the Municipal Finance Authority totaling $1,060,924 (2021 - $1,061,108). These demand notes are contingent in nature and are not reflected in the accounts of the Hospital District.

4. Related Party Transactions

The Hospital District is related to the Regional District of Okanagan-Similkameen, as the members of the Regional District Board of Directors also comprise the Board of Directors of the Hospital District. As legislated in the Hospital Act, the officers and employees of the Regional District of Okanagan-Similkameen are the corresponding officers and employees of the Okanagan-Similkameen Regional Hospital District. The Hospital District and the Regional District of Okanagan-Similkameen are separate legal entities as defined by separate Letters Patent and authorized by separate legislation.

As of December 31, 2022, there was an outstanding balance of $15,750 due to the Regional District of Okanagan-Similkameen (2021 - $8,748 due to the Regional District). These transactions are considered to be in the normal course of operations and are measured at the exchange amount.

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5. Long-term Debt

All long-term debt is reported net of sinking fund balances. Sinking fund installments are invested by the MFA and earn income, which together with principal payments are expected to be sufficient to retire the debt issue at maturity. Where the MFA has determined that sufficient funds exist to retire a debt issue on its maturity date without further installments, payments are suspended by the MFA and the Hospital District's liability is reduced to $nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Hospital District. The 2022 earnings in the sinking fund were calculated to be $74,319 (2021 - $53,743) and are included in actuarial earnings on the statement of operations.

The Hospital District's debenture matures in 2045 and carries a current interest rate of 1.99%. The interest expense for the year was $1,356,832 (2021 - $1,360,426).

MFA BC Issue #	Maturity Date	Rate	**2022 Net Debt**	2021 Net Debt
77	2022	1.75%	**$ -**	$ 256
150	2045	1.99%	**63,819,241**	66,022,127
Total			**$ 63,819,241**	$ 66,022,383

Future principal payments on existing long-term debt due in the next five years and thereafter are as follows:

2023	$ 2,128,666
2024	2,128,666
2025	2,128,666
2026	1,631,546
2027	1,631,546
Thereafter and actuarial earnings	54,170,151
	$ 63,819,241

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6. Tangible Capital Assets

Tangible capital assets consist of land only and as such, there are no assets subject to amortization.

	2022	2021
Land	**$ 93,000**	$ 93,000

7. Accumulated Deficit

Reserves are non-statutory reserves which represent an appropriation of surplus for specific purposes and are comprised of the following:

	Opening balance	Transfers to (from)	Surplus (Deficit)	**Closing balance**
Unrestricted deficit	$ (66,838,510)	$ 899,518	$ 1,257,618	**$(64,681,374)**
Investment in tangible capital assets	93,000	-	-	**93,000**
	(66,745,510)	899,518	1,257,618	**(64,588,374)**
Interior Health - Reserve for future capital	22,728,021	(899,518)	(134,101)	**21,694,402**
South Similkameen Health	324,784	-	3,539	**328,323**
	23,052,805	(899,518)	(130,562)	**22,022,725**
	$ (43,692,705)	$ -	$ 1,127,056	**$(42,565,649)**

In 2016, Interior Health commenced construction of the Dave E. Kampe Tower at Penticton Regional Hospital. The Hospital District's share of the total project cost of $312,455,000 was $116,983,000 and was funded through previously accumulated reserves and debt financing obtained through the Municipal Finance Authority. In accordance with Public Sector Accounting Standards (PSAS), these funding sources are not recognized as revenue in the statement of operations. Consequently, the accumulated deficit position is primarily attributable to PSAS reporting requirements associated with financing the capital project rather than cumulative operating deficits incurred by the Hospital District.

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8. Budget

The Hospital District's Budget Bylaw adopted by the Board of Directors on February 17, 2022 was not prepared on a basis consistent with that used to report actual results (PSAB). The budget was prepared on a modified accrual basis while PSAB requires a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to $nil. As a result, the budget figures presented in the statements of operations and change in net debt represent the Budget adopted by the Board of Directors on February 17, 2022 with adjustments as follows:

	2022
Budget Bylaw surplus for the year	$ -
Less:	
Budgeted transfers from accumulated surplus	(1,000,000)
Bank loan proceeds	(12,727,000)
Transfers to capital reserve	1,533,158
Debt principal	2,128,822
Budget deficit per statement of operations	$(10,065,020)

9. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.