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Okanagan-Similkameen Regional Hospital District

Financial Statements

For the year ended December 31, 2023

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

Okanagan-Similkameen Regional Hospital District

TABLE OF CONTENTS

For the year ended December 31, 2023

Management's Responsibility for Financial Reporting 2

Independent Auditor's Report 3 - 4

Financial Statements

Statement of Financial Position 5

Statement of Operations and Accumulated Deficit 6

Statement of Cash Flows 7

Notes to the Financial Statements 8 - 15

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

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, 2023, 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, 2023, 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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK District limited by guarantee, and forms part of the international BDO network of independent member firms.

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	2023	2022
Financial assets		
Cash and cash equivalents (Note 2)	**$ 11,828,702**	$ 11,737,691
Temporary investments (Note 2)	**9,687,210**	9,169,254
Due from Regional District of Okanagan-Similkameen (Note 3)	**7,253**	-
Accounts receivable	**8,253**	11,771
Debt reserve fund (Note 4)	**741,567**	719,213
	22,272,985	21,637,929
Financial Liabilities		
Accounts payable and accrued liabilities	**697,341**	461,587
Due to Regional District of Okanagan-Similkameen (Note 3)	**-**	15,750
Long-term debt (Note 5)	**61,572,556**	63,819,241
	62,269,897	64,296,578
Net debt	**(39,996,912)**	(42,658,649)
Non-financial assets		
Tangible capital assets (Note 6)	**93,000**	93,000
Accumulated deficit (Note 7)	**$(39,903,912)**	$ (42,565,649)

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.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

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

For the year ended December 31	(Note 10) Budget	2023	2022
Revenues			
Tax requisitions	**$ 6,563,833**	**$ 6,569,787**	$ 6,447,140
Interest income	**30,000**	**1,093,770**	551,503
Actuarial earnings	**-**	**118,018**	74,319
Grant in lieu of taxes	**25,000**	**43,655**	44,626
Investment income	**-**	**22,354**	15,714
Total revenues for the year	**6,618,833**	**7,847,584**	7,133,302
Expenditures			
Capital grants	**$ 17,129,300**	**$ 3,374,841**	$ 4,107,266
Section 20 grants	**398,400**	**398,400**	464,500
Interest - long-term	**1,356,820**	**1,356,818**	1,356,832
Office supplies	**5,000**	**51**	17
Professional fees	**12,000**	**13,000**	12,500
Salaries and benefits	**72,170**	**42,737**	65,131
Total expenditures for the year	**18,973,690**	**5,185,847**	6,006,246
Annual surplus (deficit) (Note 7)	**(12,354,857)**	**2,661,737**	1,127,056
Accumulated deficit, beginning of year	**(42,565,649)**	**(42,565,649)**	(43,692,705)
Accumulated deficit, end of year	**$(54,920,506)**	**$(39,903,912)**	$ (42,565,649)

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

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

Okanagan-Similkameen Regional Hospital District
Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Cash from tax requisitions	**$ 6,593,958**	$ 6,504,497
Cash paid to suppliers and for grants	**(3,593,274)**	(5,357,835)
Interest paid	**(1,356,818)**	(1,356,832)
Interest, grants and other income received	**1,116,123**	567,217
	2,759,989	357,047
Cash flows from financing activities		
Repayment of debenture debt	**(2,151,020)**	(2,112,928)
Cash flows from investing activities		
Increase in temporary investments	**(517,958)**	(251,218)
Increase (decrease) in cash for the year	**91,011**	(2,007,099)
Cash, beginning of year	**11,737,691**	13,744,790
Cash, end of year	**$ 11,828,702**	$ 11,737,691

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

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

December 31, 2023

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.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

1. Summary of Significant Accounting Policies (continued)

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.

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

1. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

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

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

2. Cash and Temporary Investments

	2023	2022
Consists of:		
Cash	**$ 11,828,702**	$ 11,737,691
Temporary Investments		
Term deposits	**6,933,483**	6,555,225
High interest savings account	**2,753,727**	2,614,029
	9,687,210	9,169,254
	$ 21,515,912	$ 20,906,945

Term deposits consist of the following:

Three three-year cashable GICs at 6.20% 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 2022 or 2023.

3. 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, 2023, there was an outstanding balance of $7,253 due from the Regional District of Okanagan-Similkameen (2022 - $15,750 due to the Regional District). These transactions are considered to be in the normal course of operations and are measured at the exchange amount.

4. 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, 2023 is $741,567 (2022 - $719,213). 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 (2022 - $1,060,924). These demand notes are contingent in nature and are not reflected in the accounts of the Hospital District.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

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 2023 earnings in the sinking fund were calculated to be $118,018 (2022 - $74,319) 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 $1,356,818 (2022 - $1,356,832).

MFA BC Issue #	Maturity Date	Rate	**2023 Net Debt**	2022 Net Debt
150	2045	1.99%	**$ 61,572,556**	$ 63,819,241

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

2024	$ 2,128,666
2025	2,128,666
2026	1,631,546
2027	1,631,546
2028	1,631,546
Thereafter and actuarial earnings	52,420,586
	$ 61,572,556

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

6. Tangible Capital Assets

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

	2023	2022
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	$ (64,681,374)	$ 2,403,712	$ (612,813)	**$(62,890,475)**
Investment in tangible capital assets	93,000		-	**93,000**
	(64,588,374)	2,403,712	(612,813)	**(62,797,475)**
Interior Health - Reserve for future capital	21,694,402	(2,403,712)	3,267,252	**22,557,942**
South Similkameen Health	328,323	-	7,298	**335,621**
	22,022,725	(2,403,712)	3,274,550	**22,893,563**
	$ (42,565,649)	$ -	$ 2,661,737	**$(39,903,912)**

In 2016, Interior Health commenced the construction of the Dave E. Kampe Tower at the Penticton Regional Hospital. The total capital cost for this project was $312,455,000, of which the share attributed to the Hospital District was $116,983,000. The Hospital District funded its share through the drawing down of reserves accumulated in prior years together with acquisition of debt funded through the Municipal Finance Authority. Under Public Sector Accounting Standards both of these sources of funds cannot be recognized as revenue for financial statement purposes. The statement of operations and accumulated deficit reflects this as indicated by deficits in 2022 and 2023.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

8. Budget

The Hospital District's Budget Bylaw adopted by the Board of Directors on February 16, 2023 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 16, 2023 with adjustments as follows:

	2023
Budget Bylaw surplus for the year	$ -
Less:	
Budgeted transfers from accumulated surplus	(4,300,000)
Bank loan proceeds	(10,978,000)
Transfers to capital reserve	794,473
Debt principal	2,128,670
Budget deficit per statement of operations	$(12,354,857)

9. Financial Instruments

The Hospital District is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Hospital District's objectives, policies and processes for managing those risks and the methods used to measure them.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Hospital District is exposed to credit risk through its cash, high-interest savings accounts and term deposits.

The Hospital District manages its exposure to credit risk by maintaining its cash and investments with reputable Canadian financial institutions and by monitoring the creditworthiness of those institutions. As a result, management considers the Hospital District's exposure to credit risk to be low.

Docusign Envelope ID: 235A14D6-E512-8412-81C1-89E19103488C

10. Financial Instruments - continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may affect the fair value of financial instruments or the returns earned on investments.

The Hospital District is exposed to interest rate risk through its term deposits and high-interest savings accounts. Changes in market interest rates may impact the returns earned on investments upon maturity or renewal. Management mitigates this risk by maintaining a combination of liquid savings accounts and cashable term deposits, which provides flexibility to respond to changing market conditions while preserving capital and maintaining sufficient liquidity to meet operational and capital funding requirements.

Liquidity Risk

Liquidity risk is the risk that the Hospital District will not be able to meet its financial obligations as they fall due. The Hospital District is exposed to liquidity risk through its accounts payable and accrued liabilities.

To help manage this risk, the Hospital District maintains sufficient cash and short-term investments to meet anticipated operating and capital requirements. The Hospital District also has planning, budgeting and forecasting processes in place to determine the funds required to support its ongoing operations and capital commitments. The Hospital District's five-year financial plan is approved by the Board of Directors and includes anticipated operational and capital expenditures.