



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, May 14, 2025

12:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. TERRITORIAL ACKNOWLEDGEMENT

2. APPROVAL OF THE AGENDA

3. ADOPTION OF MINUTES

- 3.1. [25-0536](#) Minutes of the Capital Regional Hospital District Board meeting of April 9, 2025

Recommendation: That the minutes of the Capital Regional Hospital District Board meeting of April 9, 2025 be adopted as circulated.

Attachments: [Minutes - April 9, 2025](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

The public are welcome to attend CRD meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application at www.crd.ca/address no later than 4:30 pm two days before the meeting and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

6. CONSENT AGENDA

- 6.1. [25-0325](#) Capital Regional Hospital District 2024 Audit Findings Report and Audited Financial Statements
- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
 That the Capital Regional Hospital District 2024 Audited Financial Statements be approved.
 (NWA)
- Attachments:** [Staff Report: CRHD 2024 Audited Financial Stmts](#)
 [Appendix A: CRHD 2024 Financial Stmts](#)
 [Appendix B: CRHD 2024 Audit Findings Report](#)
 [Appendix C: CRHD 2024 Other Financial Stmt Analysis](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. MOTION TO CLOSE THE MEETING

- 12.1. [25-0559](#) Motion to Close the Meeting
- Recommendation:** 1. That the meeting be closed for Land Acquisition/Disposition in accordance with Section 90(1)(e) of the Community Charter. [1 item]
 2. That such disclosures could reasonably be expected to harm the interests of the Regional District. [1 Item]

13. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

NWP - Non-weighted vote of participants (as listed)

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, April 9, 2025

12:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

DIRECTORS: K. Murdoch (Chair), S. Goodmanson (Acting Chair), M. Alto, J. Bateman (for M. Tait), P. Brent, S. Brice, J. Brownoff, J. Caradonna, D. Cavens (for B. Desjardins), C. Coleman, Z. de Vries, C. Harder (EP), G. Holman, P. Jones, M. Little, C. McNeil-Smith, D. Murdock, D. Thompson, S. Tobias, M. Westhaver (for C. Plant) (EP), A. Wickheim, K. Williams, R. Windsor

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer; A. Fraser, General Manager, Infrastructure and Water Services; L. Jones, General Manager, Parks, Recreation & Environmental Services; K. Lorette, General Manager, Housing, Planning and Protective Services; K. Morley, General Manager, Corporate Services; M. Barnes, Senior Manager, Health and Capital Planning Strategy; R. Tooke, Senior Manager, Environmental Innovation; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors B. Desjardins, D. Kobayashi, C. Plant, M. Tait

The meeting was called to order at 12:02 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Acting Chair Goodmanson provided the Territorial Acknowledgement.

2. APPROVAL OF THE AGENDA

MOVED by Director McNeil-Smith, **SECONDED** by Director Brice,
That the agenda for the Capital Regional Hospital District Board meeting of April 9, 2025 be approved.
CARRIED

3. ADOPTION OF MINUTES

- 3.1. [25-0415](#) Minutes of the March 12, 2025 Capital Regional Hospital District Board Meeting

MOVED by Director McNeil-Smith, **SECONDED** by Director Little,
That the minutes of the Capital Regional Hospital District Board meeting of March 12, 2025 be adopted as circulated.
CARRIED

4. REPORT OF THE CHAIR

There were no Chair's remarks.

5. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

6. CONSENT AGENDA

There were no Consent Agenda items.

7. ADMINISTRATION REPORTS

There were no Administration Reports.

8. REPORTS OF COMMITTEES

8.1. [25-0410](#) 2025 Minor Capital Projects and Equipment - Approval of Capital Bylaw No. 430

K. Lorette spoke to Item 8.1.

MOVED by Director Goodman, **SECONDED** by Director Little,

1) That the recommended 2025 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2025 requisition.

2) That the recommended 2025 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2025 requisition.

CARRIED

Opposed: Brent

MOVED by Director Goodman, **SECONDED** by Director Little,

3) That Bylaw No. 430, "Capital Regional Hospital District Capital Bylaw No. 198, 2025", be introduced and read a first, second and third time; and

CARRIED

Opposed: Brent

MOVED by Director Goodman, **SECONDED** by Director Little,

4) That Bylaw No. 430 be adopted.

CARRIED

Opposed: Brent

9. BYLAWS

There were no bylaws for consideration.

10. NOTICE(S) OF MOTION

There were no notice(s) of motion.

11. NEW BUSINESS

There was no new business.

12. MOTION TO CLOSE THE MEETING

12.1. [25-0420](#) Motion to Close the Meeting

MOVED by Director McNeil-Smith, **SECONDED** by Director Little,
1. That the meeting be closed for Land Acquisition/Disposition in accordance
with Section 90(1)(e) of the Community Charter.

CARRIED

MOVED by Director McNeil-Smith, **SECONDED** by Director Little,
2. That such disclosures could reasonably be expected to harm the interests of
the Regional District.

CARRIED

MOVED by Director McNeil-Smith, **SECONDED** by Director Little,
That the meeting be recessed for the meeting of the Capital Regional District
Board.

CARRIED

The meeting recessed at 12:07 pm to convene the meeting of the Capital
Regional District Board.

The meeting reconvened and went into the Closed Session at 5:29 pm.

13. RISE AND REPORT

The Capital Regional Hospital District Board rose from the closed session at 5:33
pm without report.

14. ADJOURNMENT

MOVED by Director Caradonna, **SECONDED** by Director Little,
That the Capital Regional Hospital District Board meeting of April 9, 2025 be
adjourned at 5:33 pm.

CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MAY 07, 2025**

SUBJECT **Capital Regional Hospital District 2024 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Regional Hospital District (CRHD) 2024 Audit Findings Report and requests approval of the Audited Financial Statements.

BACKGROUND

The CRHD was established in 1967 under the *Hospital District Act* to provide the local share of capital funding for healthcare infrastructure in the capital region. The CRHD shares the same boundaries, board of directors and administrative staff as the Capital Regional District (CRD).

Section 17 of the *Hospital District Act* and Section 814 of the *Local Government Act* require that audited financial statements be prepared each year. The 2024 Financial Statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

Partnering with Island Health and community stakeholder agencies, the CRHD supports a healthy region by investing in strategic priorities in healthcare. These include new construction, upgrades, renewals and expansion of health facilities and medical equipment. The CRHD also contributes by developing land and health facilities for Island Health to occupy for health authority purposes.

Under PSAS the CRHD is required to present four statements with accompanying notes:

1. Statement of Financial Position
2. Statement of Operations
3. Statement of Change in Net Debt
4. Statement of Cash Flows

The CRHD 2024 Audited Financial Statements are attached as Appendix A and include Schedule A which provides a listing of contributions paid to district hospitals.

The Audit Findings Report (Appendix B) summarizes the responsibilities of the auditor, the scope of work and audit results. The report also confirms there were no significant changes in the audit approach from the Audit Planning Report presented to the Board on January 8, 2025. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRHD as of and for the year ended December 31, 2024.

ALTERNATIVES

Alternative 1

That the Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2024 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2024 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

New Accounting Standards

PS 3400 - Revenue

On January 1, 2024, the CRD adopted Public Sector Accounting Standard PS 3400 *Revenue*. The new accounting standard provides direction on accounting for revenues that are not in scope of other existing standards. Management performed a review of all CRHD revenue streams and determined that there was no impact to net debt, accumulated surplus or annual surplus on adoption of this standard.

HIGHLIGHTS

1. Statement of Financial Position

The Statement of Financial Position presents the financial position of an entity at a given date. It is comprised of three main components: financial assets, financial liabilities and non-financial assets. As of December 31, 2024, the CRHD is in a net debt financial position of \$54.8 million with an accumulated surplus of \$57.1 million.

Financial Assets

Financial assets as of December 31, 2024, totalled \$34.9 million, a decrease of \$3.5 million from 2023. Table 1 summarizes financial assets and provides the change year-over-year.

Table 1 – Change in Financial Assets Year-Over-Year

Financial Assets (\$M)	2024	2023	\$ Change	% Change
Cash and Cash Equivalents	11.6	10.2	1.4	14%
Investments	19.5	24.0	(4.5)	(19%)
Due from CRD	0.5	0.1	0.4	400%
Other Receivables	1.3	1.3	-	-
Restricted Cash – MFA DRF*	2.0	2.8	(0.8)	(29%)
Total Financial Assets	\$34.9	\$38.4	(\$3.5)	(9%)

*Municipal Finance Authority (MFA) Debt Reserve Fund (DRF)

- **Cash and cash equivalents:** This category includes cash on hand, bank deposits and short-term highly liquid investments. The balance increased by \$1.4 million, primarily due to the scheduled transfers of investments to cash during the year.
- **Investments:** Investments decreased by \$4.5 million due to a strategy that converted guaranteed investment certificates (GICs) into cash to fund the acquisition of tangible capital assets. Further details on these changes can be found in Statement 4 (Statement of Cash Flows) of Appendix A.
- **Due from the CRD:** Receivables from the CRD increased by \$0.4 million due to the timing of cash transfers between the CRD and CRHD for processing operating expenses.
- **Restricted cash:** Restricted cash includes the DRF, a 1% holdback by the MFA at loan inception, retained until maturity as security against default. This decreased by \$0.8 million as debt maturities exceeded new issuances during the year.

Financial Liabilities

Financial liabilities as of December 31, 2024, totalled \$89.7 million, a decrease of \$13.6 million from 2023. Table 2 summarizes financial liabilities and provides the change year-over-year.

Table 2 – Change in Financial Liabilities Year-Over-Year

Financial Liabilities (\$M)	2024	2023	\$ Change	% Change
Accounts Payable and Other Liabilities	3.5	3.8	(0.3)	(8%)
Deferred Revenue	0.4	0.4	-	-
Short-Term Debt	0.5	-	0.5	-
Long-Term Debt	84.2	98.5	(14.3)	(15%)
Asset Retirement Obligation	1.1	0.6	0.5	83%
Total Financial Liabilities	\$89.7	\$103.3	(\$13.6)	(13%)

- **Accounts payable and other liabilities:** Accounts payable decreased by \$0.3 million, primarily due to the timing of claim payments on major capital projects.
- **Short-term debt:** The CRHD engaged in short-term borrowing through the MFA in 2024 to finance capital grant payments to Island Health. This debt will be repaid in 2025 through a transfer from the debt management reserve.
- **Long-term debt:** Long-term debt decreased by \$14.3 million as debt maturities exceeded new borrowings in 2024.
- **Asset retirement obligation:** The CRHD purchased Mt. Tolmie Hospital and leased the building and property to BC Housing for twenty years. As part of the purchase, the CRHD assumed the obligation to remediate potential hazardous materials at the end of the lease term, resulting in an asset retirement obligation in the year of acquisition.

Non-Financial Assets

Non-financial assets as of December 31, 2024, totalled \$111.8 million, an increase of \$7.3 million from 2023. As shown in Table 3, non-financial assets consist solely of tangible capital assets.

Table 3 – Change in Non-Financial Assets Year-Over-Year

Non-Financial Assets (\$M)	2024	2023	\$ Change	% Change
Tangible Capital Assets	\$111.8	\$104.5	\$7.3	7%

Tangible capital assets increased by \$7.3 million, reflecting \$10.5 million in capital additions for the purchase of Mt. Tolmie Hospital and renovations at The Summit, partially offset by \$3.2 million in amortization expenses.

Additional detail is presented in Note 7 – Tangible Capital Assets of the 2024 Financial Statements (Appendix A).

2. Statement of Operations

The Statement of Operations reports the annual results of the entity's financial activities, presenting revenues less expenses and net surplus/(deficit).

Revenue

Revenue as of December 31, 2024, totalled \$37.1 million, a decrease of \$1.5 million from 2023. Table 4 summarizes revenue and provides the change year-over-year.

Table 4 – Change in Revenue Year-Over-Year

Statement of Operations (\$M)	2024	2023	\$ Change	% Change
Requisition	26.5	26.5	-	-
Payments in Lieu of Taxes	0.7	0.7	-	-
Lease and Other Property Revenue	4.6	4.9	(0.3)	(6%)
Interest Income	2.0	1.8	0.2	11%
Debenture Maturity Refund	0.1	0.2	(0.1)	(50%)
Actuarial Adjustment on Long-Term Debt	3.2	4.5	(1.3)	(29%)
Total Revenue	\$37.1	\$38.6	(\$1.5)	(4%)

- **Lease and other property income:** Lease and other property income decreased by \$0.3 million in 2024, reflecting a one-time recovery of insurance costs at The Summit from Island Health.
- **Interest income:** Interest income increased by \$0.2 million, driven by higher reserve balances throughout the year and favorable interest rates on GICs and high-interest savings accounts.
- **Debenture maturity refund:** The debenture maturity refund revenue decreased by \$0.1 million in 2024. This refund represents interest earnings on the DRF, which are distributed as debt matures. The decline in revenue for 2024 is due to fewer debt maturities compared to 2023.
- **Actuarial adjustment on long-term debt:** The actuarial adjustment reflects anticipated earnings on the CRHD's principal payments towards its outstanding debt with the MFA. Recognized annually starting one year after the first principal payment, it reduces the outstanding loan balance over time. As debt is being retired at a faster pace than new debt is being issued, the total outstanding debt is gradually decreasing, resulting in a corresponding decline in the actuarial adjustment.

Expenses

Expenses as of December 31, 2024, totalled \$19.6 million, no change from 2023. Table 5 summarizes revenue and provides the change year-over-year.

Table 5 – Change in Expenses Year-Over-Year

Statement of Operations (\$M)	2024	2023	\$ Change	% Change
Grants to District Hospitals	9.3	8.8	0.5	6%
Interest on Long-Term and Short-Term Debt	5.1	6.2	(1.1)	(18%)
Amortization and Accretion	3.2	3.2	-	-
Operating Expenses	2.0	1.4	0.6	43%
Total Expenses	\$19.6	\$19.6	-	-

- **Grants to district hospitals:** Contributions to Island Health increased by \$0.5 million in 2024. Contributions vary year-over-year based on the timing of claims submitted by Island Health for capital initiatives. Of the \$9.3 million paid in 2024, \$7.3 million supported minor capital projects and capital equipment grants, while \$2.0 million funded major capital projects. Notable 2024 projects included the Lady Minto Hospital Emergency Department redevelopment, magnetic resonance imaging scanner replacement and the new long-term care facility at Royal Bay.
- **Interest on long-term and short-term debt:** Interest expenses decreased \$1.1 million in 2024 as debt maturities outpaced new debt issuances, reducing overall debt balances with the MFA.
- **Operating expenses:** Operating expenses increased \$0.6 million in 2024 as the CRHD recognized an asset retirement obligation liability related to the acquisition of Mt. Tolmie Hospital. This one-time cost was expensed in the year of purchase and classified as an operating expense.

2024 Annual Surplus

The accumulated surplus represents the CRHD's total net equity, reflecting the sum of annual surpluses and deficits to date. As of 2024, the accumulated surplus stands at \$57.1 million, indicating that the CRHD's total assets (both financial and non-financial) exceed its financial liabilities.

The annual surplus, which represents the excess of revenues over expenses, was \$17.5 million in 2024, a decrease of \$1.6 million from the previous year. This decline is primarily due to a lower actuarial adjustment on long-term debt and one-time operating expenses.

Surplus funds are either transferred to reserves to support future capital commitments and operating expenses or used to repay outstanding debt.

3. Other Financial Statement Analysis

Appendix C contains an analysis of the Statement of Change in Net Debt, the Statement of Cash Flows and Schedule A - Grants to District Hospitals.

4. Financial Indicators

Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators measure CRHD's performance and financial sustainability.

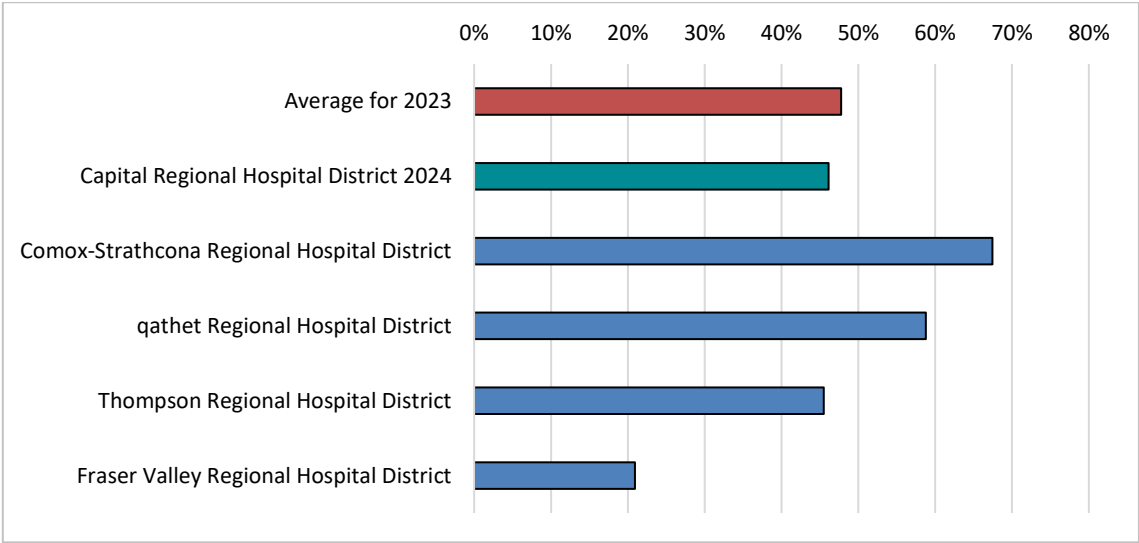
4.1 Debt Service Ratio – Debt Service Costs as a Percentage of Revenue

The debt service ratio is an indicator of the percentage of revenue committed to the payment of interest and principal on temporary and long-term debt. A high percentage indicates greater use of revenue for the repayment of debt. As the CRHD's primary mandate is to secure borrowing and provide capital contributions for health facility infrastructure, a high debt

servicing ratio is expected. CRHD’s debt servicing costs as percentage of revenue as of December 31, 2024, is 46% (2023: 52%).

Table 6 compares CRHD’s debt service ratio as of December 31, 2024, with the 2023 ratios of hospital districts on Vancouver Island and the southern mainland of British Columbia. CRHD’s debt service ratio is in line with the average of the hospital districts analyzed.

Table 6 – Debt Service Ratio Comparison



4.2 Current Ratio – Current Assets Versus Current Liabilities

The current ratio is a measure of the liquidity of an organization, meaning the CRHD’s ability to meet current obligations using current assets (cash, accounts receivable, short-term investments). A high ratio indicates a greater ability to meet both planned and unplanned expenditures. The CRHD’s current ratio as of December 31, 2024, is 8.4 to 1 (2023: 5.7 to 1), indicating CRHD’s current assets are sufficient to pay current liabilities 8.4 times.

4.3 Interest Coverage Ratio – Interest Costs as a Percentage of Total Revenues

This ratio is an indicator of the percentage of revenue committed to the payment of interest on temporary and long-term debt. A high percentage indicates greater use of revenues for servicing interest on outstanding debt. The CRHD’s interest coverage ratio on December 31, 2024, is 7.3 (2023: 6.1), indicating the CRHD’s revenue is sufficient to repay interest expense 7.3 times.

CONCLUSION

Board approval of the CRHD 2024 Audited Financial Statements is required by the *Hospital District Act* and the *Local Government Act*. Audited financial statements must be available for the Ministry of Health and the MFA. As noted in the Auditor Findings Report, it is the auditor's opinion these Financial Statements present fairly the financial position of the CRHD for the year ending December 31, 2024, in accordance with Canadian PSAS.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District 2024 Audited Financial Statements be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

Appendix A: CRHD 2024 Financial Statements

Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2024 (KPMG)]

Appendix C: CRHD Other Financial Statement Analysis

Capital Regional Hospital District 2024 Financial Statements

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KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Chair and Directors of the Capital Regional Hospital District

Opinion

We have audited the financial statements of the Capital Regional Hospital District (the District), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2024, and its results of operations, its change in net debt, 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 auditor's report.

We are independent of the 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 the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Victoria, Canada

_____, 2025

Capital Regional Hospital District

MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. 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 Capital Regional Hospital District Board of Directors are responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Hospitals and Housing Committee of the Board.

The external auditor, KPMG LLP, conduct an independent examination, in accordance with Canadian public sector accounting standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditor had full and free access to staff and management. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2024.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer
May 14, 2025

Statement of Financial Position

As at December 31, 2024

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 11,597,326	\$ 10,175,942
Investments	19,500,000	24,000,000
Accounts receivable		
Due from Capital Regional District	540,620	147,180
Other	1,268,840	1,307,725
Restricted cash - MFA Debt Reserve Fund (Note 3)	1,988,263	2,788,315
	<u>34,895,049</u>	<u>38,419,162</u>
Financial liabilities		
Accounts payable and other liabilities	3,481,196	3,875,792
Deferred revenue	414,824	366,515
Short-term debt (Note 4)	530,875	-
Long-term debt (Note 5)	84,175,878	98,467,559
Asset retirement obligation (Note 6)	1,059,371	566,344
	<u>89,662,144</u>	<u>103,276,210</u>
Net debt	(54,767,095)	(64,857,048)
Non-financial assets		
Tangible capital assets (Note 7)	111,831,983	104,465,568
Accumulated Surplus (Note 11)	<u>\$ 57,064,888</u>	<u>\$ 39,608,520</u>
Contingent liability (Note 5c & 13)		
Contractual obligations (Note 8)		

The accompanying notes are an integral part of these financial statements

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Operations

For the year ended December 31, 2024

	Budget (Note 12)	2024	2023
Revenue			
Taxation - Municipalities	\$ 24,338,262	\$ 24,338,262	\$ 24,297,119
Taxation - Electoral Areas	2,015,826	2,015,826	2,060,817
Taxation - First Nations	108,815	108,815	104,616
Payments in lieu of taxes	670,321	670,633	699,157
Lease and other property revenue	4,602,328	4,603,192	4,936,720
Interest income	250,000	2,088,088	1,782,102
Debenture maturity refund	878,000	60,188	172,114
Actuarial adjustment on long-term debt	-	3,202,980	4,561,920
	32,863,552	37,087,984	38,614,565
Expenses			
Grants to district hospitals	12,148,613	9,379,103	8,787,670
Interest on long-term debt	5,150,833	5,069,095	6,138,095
Interest on short-term debt	78,500	19,372	46,498
Amortization	-	3,159,500	3,142,214
Accretion	-	24,799	21,561
Operating expenses	2,201,952	1,979,747	1,429,879
	19,579,898	19,631,616	19,565,917
Annual surplus	13,283,654	17,456,368	19,048,648
Accumulated surplus, beginning of year	39,608,520	39,608,520	20,559,872
Accumulated surplus, end of year	\$ 52,892,174	\$ 57,064,888	\$ 39,608,520

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2024

	Budget	2024	2023
	(Note 12)		
Annual surplus	\$ 13,283,654	\$ 17,456,368	\$ 19,048,648
Acquisition of tangible capital assets	(14,224,830)	(10,519,870)	(182,319)
Revaluation of asset retirement obligation	-	(6,045)	(71,944)
Amortization of tangible capital assets	-	3,159,500	3,142,214
Change in net debt	(941,176)	10,089,953	21,936,599
Net debt, beginning of year	(64,857,048)	(64,857,048)	(86,793,647)
Net debt, end of year	\$ (65,798,224)	\$ (54,767,095)	\$ (64,857,048)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 17,456,368	\$ 19,048,648
Items not involving cash:		
Actuarial adjustment on long-term debt	(3,202,980)	(4,561,920)
Amortization	3,159,500	3,142,214
Accretion	24,799	21,561
Asset retirement obligation	462,183	-
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	38,885	(1,026,640)
Accounts payable and accrued liabilities	(394,596)	609,844
Deferred revenue	48,309	-
Due to/(from) Capital Regional District	(393,440)	(39,801)
Restricted cash	800,052	500,129
Net change in cash from operating activities	17,999,080	17,694,035
Capital activities:		
Cash used to acquire tangible capital assets	(10,519,870)	(182,319)
Net change in cash from capital activities	(10,519,870)	(182,319)
Investing activities:		
Acquisition of investments	(19,500,000)	(24,000,000)
Proceeds from investments	24,000,000	9,000,000
Net change in cash from investing activities	4,500,000	(15,000,000)
Financing activities:		
Additions to short-term debt	530,875	-
Additions to long-term debt	1,145,042	2,919,437
Repayment of long-term debt	(12,233,743)	(13,862,297)
Net change in cash from financing activities	(10,557,826)	(10,942,860)
Net change in cash and cash equivalents	1,421,384	(8,431,144)
Cash and cash equivalents, beginning of year	10,175,942	18,607,086
Cash and cash equivalents, end of year	\$ 11,597,326	\$ 10,175,942

The accompanying notes are an integral part of these financial statements

Capital Regional Hospital District

Notes to Financial Statements

For the year ended December 31, 2024

GENERAL

The Capital Regional Hospital District (the “Hospital District”) is incorporated under letters patent issued October 17, 1967. The Hospital District provides Capital Region hospitals with funding for capital project construction and the purchase of moveable equipment.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hospital District are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Hospital District are as follows:

- a) **Basis of Accounting**
The Hospital District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.
- b) **Taxation**
Each Municipality, Electoral Area and First Nation within the Regional District is requisitioned for their portion of the Hospital District service. These funds are then levied by the Municipalities, First Nations and the Province (for Electoral Areas) to individual taxpayers and remitted to the Hospital District by August 1 of each year.
- c) **Cash Equivalents**
Cash equivalents include short-term highly liquid investments with a term to maturity of less than 90 days at acquisition.
- d) **Asset Retirement Obligations**
An asset retirement obligation (ARO) is a legal obligation to incur costs to retire a tangible capital asset in a future period. AROs are measured at the present value of expected future cash flows including an estimate for inflation. Future cash flows are based on the best information available at the financial reporting date. Accretion expense is recorded annually to reflect the cost associated with an increase in the present value of the ARO over time. The carrying amount of the liability is reassessed annually and updated as new information becomes available. Changes in estimates are recorded prospectively and the liability is derecognized when retirement activities are completed.

The asset retirement cost at initial recognition is capitalized along with the related tangible capital asset and amortized in accordance with the Hospital District's tangible capital asset policy Note 1 e).
- e) **Tangible Capital Assets**
Tangible capital assets are recorded at cost which includes amounts directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life
Building and building fixtures	10 to 50 Years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization is charged annually, in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

- i. Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- ii. Works of art and cultural and historic assets
Works of art and cultural and historic assets are not recorded as assets in these financial statements.
- iii. Interest capitalization
The Hospital District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- iv. Impairment
Tangible capital assets are written down when conditions indicate that they no longer contribute to the Hospital District's ability to produce goods and services or when the value of the future economic benefits associated with the asset is less than the book value of the asset.

f) Long-Term Debt

Long-term debt is recorded net of repayments and actuarial adjustments.

g) Debenture Issue Cost

Debenture issue costs are recorded as an expense in operations as incurred.

h) Section 20(3) Reserve

As permitted by section 20(3) of the Hospital District Act, funds are raised for the future purchase of land, equipment, minor renovations to hospitals, and related studies. The unspent balance of the reserve is a component of the Hospital District Accumulated Surplus.

i) Grants to District Hospitals

Government transfers including grants to district hospitals are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

j) Financial Instruments

Financial instruments are classified into two categories; fair value or cost.

- i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense.
- ii. Cost category: portfolio investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**k) Use Of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant estimates and assumptions include amortization of capital assets, and discount and inflationary rates used to determine ARO balances. Actual results could differ from those estimates.

2. ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2024, the District adopted Public Sector Accounting Standard PS 3400 Revenue (PS 3400) on a prospective basis. The new accounting standard provides direction on accounting for revenues that are not in scope of other existing standards. All revenue streams in scope of PS 3400 have historically been accounted for in accordance with the new standards and as a result there was no impact to net debt, accumulated surplus, or annual surplus on adoption.

3. RESTRICTED CASH – MFA DEBT RESERVE FUND

The Municipal Finance Authority of British Columbia (MFA) is required to establish a Debt Reserve Fund into which each borrower who shares in the proceeds of a debt issue is required to pay certain amounts set out in the debt agreements. Interest earned on these funds (less administrative expenses) becomes an obligation of the MFA to the borrower. If at any time insufficient funds are provided by the borrowers, the MFA will then use these funds to meet payments on its obligations. Should this occur, the borrowers may be called upon to restore the fund. The balance of the Debt Reserve Fund cash deposits at December 31, 2024 is \$1,988,263 (2023: \$2,788,315).

4. SHORT-TERM DEBT

The balance of short-term debt as at December 31, 2024 is \$530,875 (2023: \$nil). The Hospital District paid \$19,372 (2023: \$46,498) of variable short-term interest based on the MFA's floating daily rate. Short-term debt is repayable on demand and must be repaid or transferred to long-term debt within 5 years of initial draw.

5. LONG-TERM DEBT**a) Debt**

Long-term debt represents gross debt borrowings of \$156,467,380 (2023: \$214,472,641) net of repayments and actuarial adjustments of \$72,291,502 (2023: \$116,005,082).

The loan agreements with the MFA provide that, if at any time the scheduled payments provided for in the agreements for the Hospital District and other authorities are not sufficient to meet the MFA's obligation in respect to such borrowings, the resulting deficiency becomes a liability of the Hospital District and other members of the MFA.

The following principal and actuarial amounts included in long-term debt are payable over the next five years and thereafter:

	2025	2026	2027	2028	2029	Thereafter	Total
Principal	9,415,478	7,791,955	6,607,466	5,005,201	4,352,428	43,397,245	76,569,773
Sinking Fund	1,121,042	1,342,197	1,383,053	1,012,282	780,055	1,967,476	7,606,105
	10,536,520	9,134,152	7,990,519	6,017,483	5,132,483	45,364,721	84,175,878

5. LONG-TERM DEBT (continued)**b) Interest Rates of Long-Term Debt Borrowings Issued in the Year**

2024	2023
4.05%	3.90% to 4.97%

The long-term debt bears interest at rates ranging from 0.91% to 4.97%. The weighted average interest rate at December 31, 2024 is 2.90% (2023: 2.73%).

c) Demand Notes – Contingent Liability

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$4,730,542 (2023: \$6,912,749). The demand notes are not recorded as they only become payable should debt be in default or if the MFA requires the funds to meet debt obligations.

6. ASSET RETIRMENT OBLIGATION

The Hospital District owns buildings that contains hazardous materials including asbestos and lead. The Hospital District is legally obligated to remove these materials in a prescribed manner when they are disturbed. These costs are expected to be incurred over the next 20 years as the buildings are demolished or renovated. The retirement costs are estimated to include all costs directly attributable to the abatement of the hazardous materials, including overhead costs.

The Hospital District uses the Municipal Finance Authority (MFA) long-term borrowing rate as the discount rate. The 10-year average B.C. consumer price index is used to estimate inflation and aligns with the Bank of Canada's target inflation range of 1.00% to 3.00%.

The Hospital District acquired a property that included land and building in 2024. The building is unusable in its current state with no future economic value and the full purchase price was recorded as land. The ARO of \$462,183 associated with the building was recorded in Operating Expense on the Statement of Operations as there is no building asset associated with the liability.

	2023	ARO Additions	ARO Settlements	Revisions to Estimate	Accretion Expense	2024
Hazardous materials	\$ 566,344	462,183	-	6,045	24,799	1,059,371

All estimated cash flows have been discounted to present value. Discount and inflation rates in the future are estimates and subject to change. These changes can impact ARO values significantly when being applied over an extended duration.

	2024	2023
Discount rate	4.27%	4.17%
Inflation rate	2.70%	2.54%
Settlement timing	17 to 20 years	18 years

7. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value at December 31, 2024
	Balance at December 31, 2023	Additions	Transfers	Balance at December 31, 2024	Balance at December 31, 2023	Amortization Expense	
Work in Progress	\$ -	-	-	\$ -	-	-	\$ -
Land	36,550,141	9,980,681	-	46,530,822	-	-	46,530,822
Buildings	80,421,910	545,234	-	80,967,144	12,506,483	3,159,500	65,301,161
	\$ 116,972,051	10,525,915	-	\$ 127,497,966	12,506,483	3,159,500	\$ 111,831,983

	Cost			Accumulated Amortization			Net Book Value at December 31, 2023
	Balance at December 31, 2022	Additions	Transfers	Balance at December 31, 2023	Balance at December 31, 2022	Amortization Expense	
Work in Progress	\$ -	-	-	\$ -	-	-	\$ -
Land	36,550,141	-	-	36,550,141	-	-	36,550,141
Buildings	80,167,647	254,263	-	80,421,910	9,364,269	3,142,214	67,915,427
	\$ 116,717,788	254,263	-	\$ 116,972,051	9,364,269	3,142,241	\$ 104,465,568

a) The Heights Long-Term Care Facility Site

In 2012, the Hospital District approved a 27-year land lease with the Baptist Housing Mount View Heights Care Society for the site owned by the Hospital District at 3814 Carey Road. The land has a historical cost of \$1,913,640.

8. CONTRACTUAL OBLIGATIONS

The Hospital District has no outstanding contractual obligations as at December 31, 2024 (2023: \$89,343).

9. CONTRACTUAL RIGHTS

- a. The Hospital District financed the capital cost of the Summit at Quadra Village, a complex care facility. The facility was substantially completed by December 31, 2019 and residents moved in July 2020. Under the agreement, Island Health contributes through annual lease payments over a 25-year period. Lease payments commenced February 1, 2020 and are \$4,338,178 annually.
- b. The Hospital District has an agreement with Fido Solutions to operate a temporary cellular site on the lands at 2251 Cadboro Bay Rd. for a term of five years until March 31, 2026. The annual rent is \$20,000.
- c. The Hospital District purchased Mt. Tolmie Hospital on December 9, 2024. The facility is leased for 20 years to the Provincial Rental Housing Corporation, which is responsible for all renovations and operating the building as supportive housing.

10. RELATED PARTY TRANSACTIONS

The Hospital District is a related party to the Capital Regional District (CRD). The Board of Directors for each entity is comprised of the same individuals. As legislated by the Hospital District Act, the officers and employees of the CRD are the corresponding officers and employees of the Hospital District. The CRD and the Hospital District are separate legal entities as defined by separate Letters Patent and authorized by separate legislation. During the year the Hospital District purchased, at cost, \$1,216,294 (2023: \$947,496) of administrative support and project management services from the CRD, of which \$17,506 (2023: \$nil) was capitalized.

The Regional Housing First Program (RHFP) is a partnership between the Capital Regional District (CRD), the Provincial and Federal governments to provide capital funding for affordable housing projects in the region. The CRD, the Capital Regional Housing Corporation, and the Capital Regional Hospital District have committed a combined \$40 million toward these projects. In 2018, an RHFP project management office was established to support the delivery of the program. The Capital Regional Hospital District has fulfilled its contribution commitment and did not provide any funding for administrative support or project management services during the year (2023: \$120,653).

11. ACCUMULATED SURPLUS

	2024	2023
<u>Surplus:</u>		
Accumulated Surplus	\$ 28,682,723	\$ 8,061,145
Reserve funds set aside for specific purposes:		
Debt Management Reserve	15,468,890	7,193,643
Regional Housing First Program Reserve	-	11,327,857
Summit Management Reserve	1,567,904	1,332,941
Land Holdings Management Reserve	1,945,759	1,662,088
Minor Capital Projects Reserve	6,361,711	6,992,945
Hospital District Act Section 20(3) Reserve	3,037,901	3,037,901
Accumulated Surplus	\$ 57,064,888	\$ 39,608,520

12. BUDGET DATA

The budget data presented in these financial statements is based upon the 2024 operating and capital budgets approved by the Board on March 13, 2024. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 33,548,386
Less:	
Transfers from reserve	(553,647)
Surplus previous year	(131,187)
Revenue per Financial Statements	<u>32,863,552</u>
 Expense budget	 33,548,386
Add:	
Grants to district hospitals	5,443,613
Less:	
Transfers to reserve	(7,103,952)
Debt principal payments	(12,308,149)
Expense per Financial Statements	<u>19,579,898</u>
 Annual Surplus	 <u>\$ 13,283,654</u>

13. CONTINGENT LIABILITY

From time to time, the Capital Regional Hospital District is subject to claims and other lawsuits that arise in the course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Capital Regional Hospital District has exposure to the following risks from its use of financial instruments:

a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital District is subject to credit risk with respect to the accounts receivable, investments, and cash and cash equivalents. Credit risk arises from the possibility that taxpayers and entities to which the Hospital District provides services may experience financial difficulty and be unable to fulfill their obligations. The maximum exposure to credit risk of the Hospital District at December 31, 2024 is the carrying value of these assets. This risk is mitigated as most accounts receivable are due from government agencies and are collectible.

There have been no significant changes to credit risk exposure from 2023.

14. FINANCIAL RISKS AND CONCENTRATION OF RISK (continued)**b) Liquidity risk:**

Liquidity risk is the risk that the Hospital District will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital District manages its liquidity risk by monitoring its operating requirements; preparing budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice. There have been no significant changes to liquidity risk exposure from 2023.

c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital District's income or the value of its holdings of financial instruments. The objective of market risk management is to control risk exposures within acceptable parameters while optimizing return on investment.

i. Foreign exchange risk:

The Hospital District does not enter into foreign exchange transactions and therefore is not exposed to foreign exchange risk.

There have been no significant changes to foreign exchange risk exposure from 2023.

ii. Interest rate risk:

The Hospital District is exposed to interest rate risk through its investments and debt instruments. It is management's opinion that the Hospital District is not exposed to significant interest rate risk in their investments as they manage this risk through its investment policy which includes restrictions on types and concentration of instruments held.

Exposure to interest rate risk in relation to debt instruments is limited to long term debt renewals and short-term financing. The risk applies only to long term debt when amortization periods exceed the initial locked in term. Short term financing is subject to daily floating rates, which can result in variability over the course of short-term financing. Interest rate risk related to debt instruments is managed through budget and cash forecasts.

There has been no change to the risk exposure from 2023.

Grants to District Hospitals

For the year ended December 31, 2024

	Total grants December 31, 2023	Expense 2024	Transfers to completed projects	Total grants December 31, 2024
PROJECTS IN PROGRESS				
Designated Health Care facilities	\$ 129,658	\$ 529,150	\$ -	\$ 658,808
Island Health	1,791,461	3,591,123	(4,032,456)	1,350,128
Gorge Road Hospital	616,075	216,167	(517,363)	314,879
Juan de Fuca Hospital	446,949	45,335	(268,176)	224,108
Lady Minto Hospital	3,003,271	739,945	(3,743,216)	-
Mount St. Mary Hospital	-	30,000	(30,000)	-
Queen Alexandra Hospital	333,455	83,651	-	417,106
Royal Jubilee Hospital	2,544,976	1,478,134	(662,689)	3,360,421
Saanich Peninsula Hospital	105,521	178,447	(36,512)	247,456
Victoria General Hospital	3,200,109	2,487,151	(1,152,588)	4,534,672
	12,171,475	9,379,103	(10,443,000)	11,107,578
COMPLETED PROJECTS				
Designated Health Care facilities	24,164,901	-	-	24,164,901
Island Health	96,944,941	-	4,032,456	100,977,397
Gorge Road Hospital	8,335,597	-	517,363	8,852,960
Juan de Fuca Hospital	39,406,745	-	268,176	39,674,921
Lady Minto Hospital	6,211,053	-	3,743,216	9,954,269
Mount St. Mary Hospital - Fairfield	15,569,545	-	30,000	15,599,545
Queen Alexandra Hospital	9,519,433	-	-	9,519,433
Royal Jubilee Hospital	269,447,202	-	662,689	270,109,891
Saanich Peninsula Hospital	21,701,409	-	36,512	21,737,921
Victoria General Hospital	102,891,148	-	1,152,588	104,043,736
	594,191,974	-	10,443,000	604,634,974
	606,363,449	9,379,103	-	615,742,552
LESS:				
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	(126,010,301)	-	-	(126,010,301)
	\$ 480,353,148	\$ 9,379,103	\$ -	\$ 489,732,251

Total grants to date is cumulative since incorporation of the Hospital District in 1967

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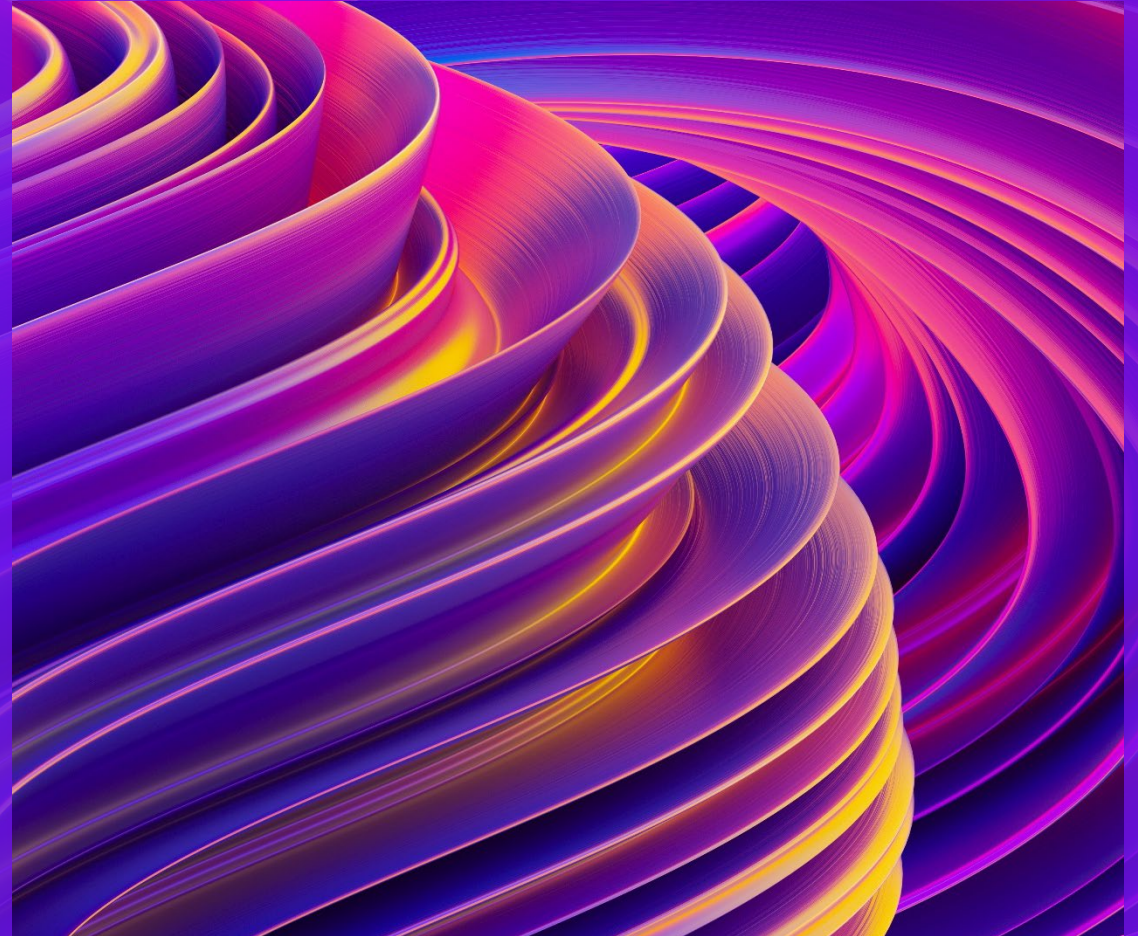
Capital Regional Hospital District

**Audit Findings Report
for the year ended
December 31, 2024**

KPMG LLP

Prepared for the Hospitals and Housing Committee meeting on May 7,
2025

kpmg.ca/audit



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Digital use information

This Audit Findings Report
is also available as a
“hyper-linked” PDF
document.

If you are reading in
electronic form (e.g. In
“Adobe Reader” or “Board
Books”), clicking on the
home symbol on the top
right corner will bring you
back to this slide.



Click on any item in the
table of contents to
navigate to that section.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.



Significant changes



Significant changes since our audit plan

- No change to risk assessment
- No change to audit strategy

Risks and results & Significant unusual transactions



Significant risks



- Presumed risk of management override of controls



Other risks of material misstatement



Significant unusual transactions

Policies and practices & Specific topics



Accounting policies and practices



Other financial reporting matters

Misstatements - uncorrected



Uncorrected misstatements



- One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt. We concur with management's representation that the difference is not material to the financial statements.

Misstatements - Corrected



Corrected misstatements

- There are no matters to report.

Control deficiencies



Control deficiencies



- We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We provided an update on prior year control observations.

The purpose of this report is to assist you, as a member of the Hospitals and Housing Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2024. This report is intended solely for the information and use of Management, the Hospitals and Housing Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of legal confirmation responses
- Completing our discussions with the Hospitals and Housing Committee
- Obtaining evidence of the Board of Director's acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of the Board of Director's acceptance of the financial statements

We will update the Hospitals and Housing Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is included in the draft financial statements.





Significant risks and results



Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates,
- evaluating the business rationale of significant unusual transactions.

Findings

- There were no issues noted in our testing.





Other risks of material misstatement and results



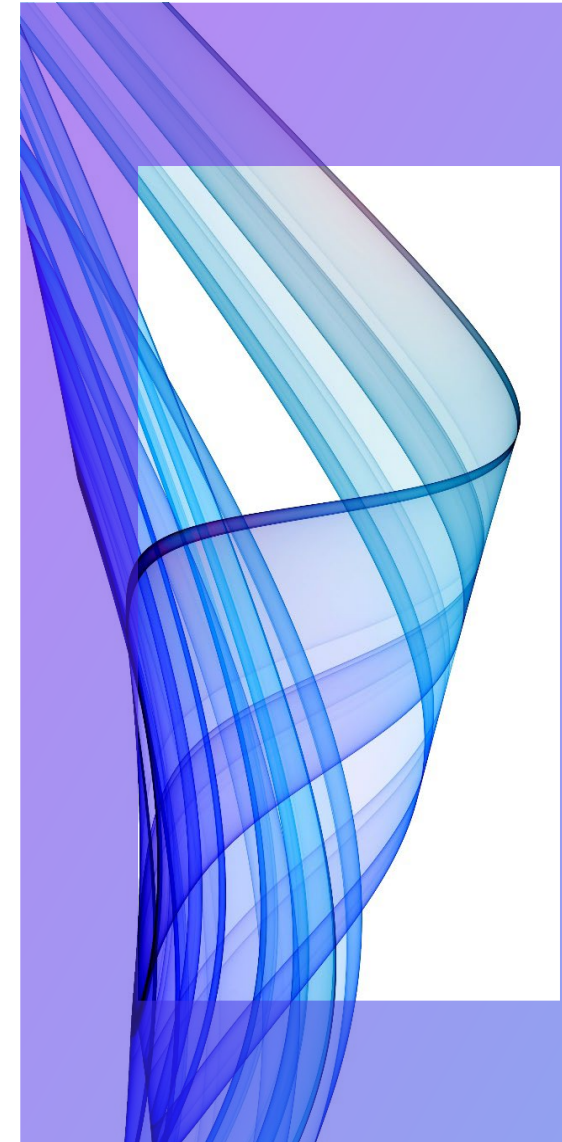
Tangible Capital Assets

Our response

- We obtained an updated understanding of the capital asset process.
- We obtained the continuity schedule of opening balances, additions, disposals, amortization and closing balances and validated the mathematical accuracy of the schedule.
- We tested the acquisition of the Mount Tolmie property, by agreeing to purchase agreement and cash payment. We tested the allocation of 100% of the purchase to land by agreeing to the Pinchin building condition assessment report.
- We tested the accuracy of the asset retirement obligations for asbestos remediation liabilities acquired with the Mount Tolmie structures, by agreeing inputs used in the calculation to source documents and consistency of assumptions with other liabilities recognized.
- We verified the accuracy of amortization expense and inquired about any changes to the amortization policy or processes.
- We assessed management's accounting and disclosures for capital commitments.
- We assessed management's assessment of asset retirement obligation (ARO) asset and liabilities after initial implementation of the new standard in 2023. We assessed management's process for updating assets and liabilities for remediation work completed in the year, new liabilities identified and revaluation of AROs from new information obtained or passage of time since initial recognition.

Findings

- There were no issues noted in our testing.





Other procedures performed



Cash, investments and debt

Response and findings

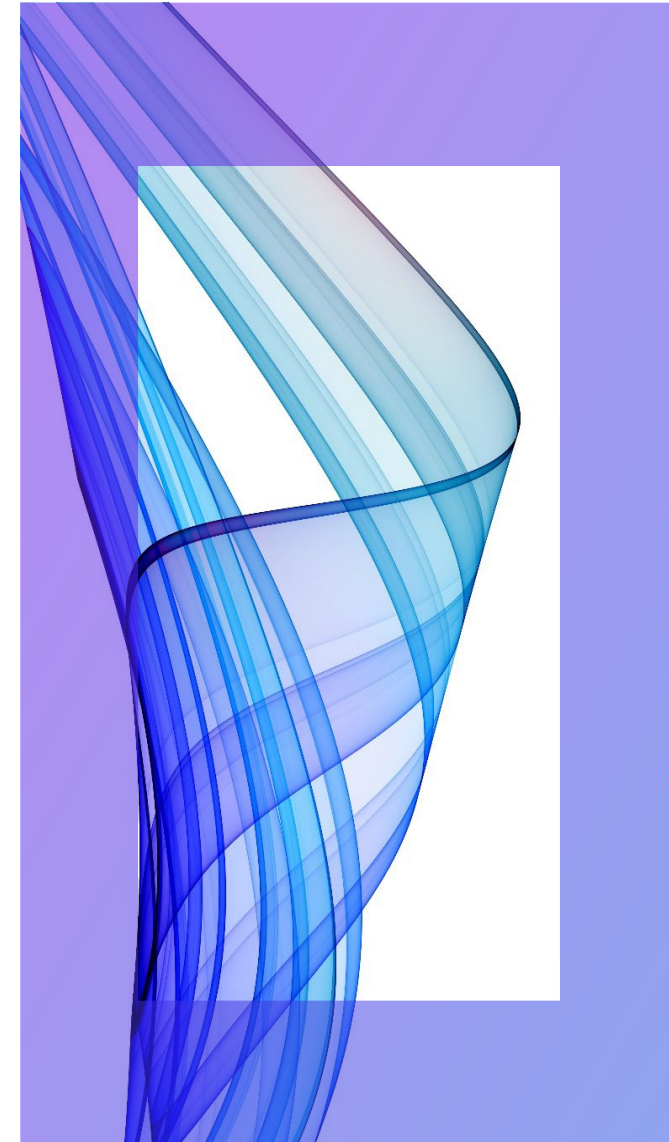
- We confirmed the balances with the respective financial institutions.
- We tested subsequent payments to determine if they were recorded in the correct accounting period.
- No issues were noted in our testing.



Revenue and expenses

Response and findings

- We completed a test of details over lease revenue and taxation revenue, agreeing amounts to budget, contracts and cash receipt.
- Grants to Island Health were tested by comparing actual expenses to approved bylaws, cash payments and classification by nature and facility. A sample of expenses were tested to underlying vendor invoice noting the applicable facility and project being funded.
- No issues were noted in our testing.





Other procedures performed

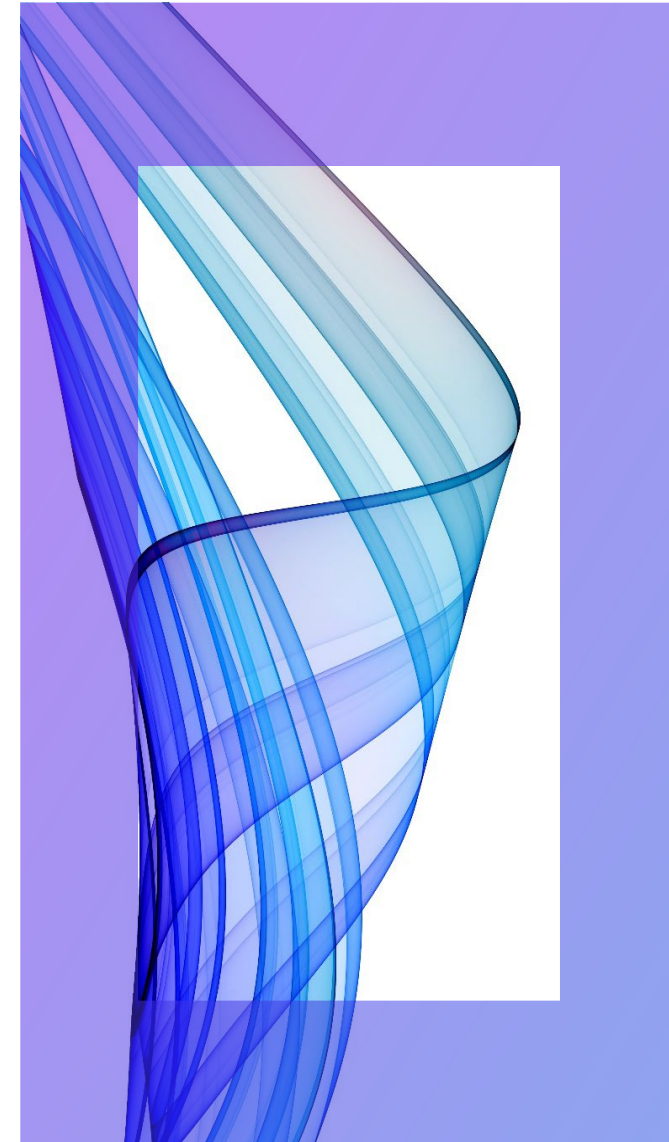


Concluding and reporting

Response and findings

We performed the following procedures as part of the overall conclusion and reporting phases of the audit:

- Evaluated management bias in the preparation of financial statements, based on patterns in the selection and application of accounting policies and principles.
- Financial statement presentation and disclosure was evaluated for compliance with accounting standards and comparability to industry leading practice, for example financial reporting award requirements of Government Finance Officers Association International.
- Legal exposure and estimates of contingency provisions were evaluated against supporting documentation including direct confirmation with external legal counsel.
- Disclosures in the financial statement notes were evaluated for completeness based on our knowledge of the Entity's ability to continue as a going concern, related party transactions, future contractual commitments and events occurring after year end.





Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



Impact of uncorrected misstatements – Not material to the financial statements

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

One historical difference from 2017 remains uncorrected related to debt issuance costs recognized in 2017 as an expense rather than over the 25 year term of the debt.

This results in a timing difference that will decline in value over the term of the debt. The uncorrected difference results in an overstatement of debt and understatement of accumulated surplus of \$83,300.

Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements—individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the Entity'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 purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any significant deficiencies in internal control over financial reporting.

Appendices

1

Required
communications

2

Management
representation letter

3

Current developments

4

Thought Leadership
and Insights





Appendix 1: Required communications



Auditor's report

Refer to the draft report attached to the financial statements.

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter.



Independence

As required by professional standards, we have considered all relationships between KPMG and the Entity that may have a bearing on independence. We confirm that we are independent with respect to the Entity within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2024 up until the date of this report.

Management representation letter

We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter is attached.



Appendix 2: Management representation letter

(Letterhead of Client)

KPMG LLP
Chartered Professional Accountants
St. Andrew's Square II
800-730 View Street
Victoria, BC V8W 3Y7

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Capital Regional Hospital District ("the Entity") as at and for the period ended December 31, 2024.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 9, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

Ted Robbins, Chief Administrative Officer

Nelson Chan, Chief Financial Officer

Kevin Lorette, General Manager, Planning and Protective Services

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have

Attachment II – Summary of Audit Misstatements Schedule**Uncorrected Misstatement**

Presented in dollars	Statement of operations effect	Statement of financial position effect		
Description of individually significant misstatements	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated surplus (Decrease) Increase
To recognize debt issuance expense over the term of the debt instead of in the year of issuance	-	-	(\$83,300)	\$83,300
Total misstatements	-	-	(\$83,300)	\$83,300



Appendix 3: Current developments

Accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 with early adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption is permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.



Appendix 3: Current developments (continued)

Accounting standards (continued)

Standard	Summary and implications
Employee Benefits	<ul style="list-style-type: none"> The Public Sector Accounting Board has issued proposed new standard PS 3251 <i>Employee benefits</i> which would replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. After evaluating comments received about the July 2021 exposure draft, a new re-exposure draft was released in October 2024. The re-exposure draft continues to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. The proposed standard would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. The re-exposure draft also proposes that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and unfunded plans use a discount rate based on the market yield of government bonds, high-quality corporate bonds or another appropriate financial instrument. A simplified approach to determining a plan's funding status is provided. For most other topics, the re-exposure draft is consistent with the original exposure draft. A few exceptions are: <ul style="list-style-type: none"> Deferral provisions – Remeasurement gains and losses will be presented as part of accumulated remeasurement gains and losses. Valuation of plan assets – Public sector entities may continue to recognize non-transferable financial instruments that meet the definition of plan assets under existing PS 3250 guidance. Joint defined benefit plans – Defined benefit accounting will be used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which was based on defined contribution plan concepts. Disclosure of other long-term employee benefits and termination benefits – The re-exposure draft does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits. The proposed section PS 3251 <i>Employee benefits</i> will apply to fiscal years beginning on or after April 1, 2029. Early adoption will be permitted and guidance applied retroactively, with or without prior period restatement. Comments on the re-exposure draft are due on January 20, 2025. The re-exposure draft can be viewed at the following link: Click here



Appendix 3: Current developments (continued)

Accounting standards (continued)

Standard	Summary and implications
Intangible assets	<ul style="list-style-type: none"> The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 <i>Intangible Assets</i> which would replace Public Sector Guideline 8 <i>Purchased Intangibles</i>. The new standard would be effective for fiscal years beginning on or after April 1, 2030 with early adoption permitted. The standard will include foundational guidance on acquired and internally generated intangibles. It excludes intangible assets addressed in other public sector accounting standards and other intangible items such as exploration and extraction costs for non-renewable resources or intangible assets related to insurance contracts. The definition of “intangible assets” requires an intangible resource to be separate and identifiable from goodwill. It also requires that the entity has control over the intangible resource, future economic benefits flow from the intangible resource, and the intangible resource is the result of a past transaction and/or other events. Internally generated goodwill is not permitted to be recognized as an asset. An intangible resource is recognized when it meets the definition of an intangible asset and the asset’s cost can be measured in a faithfully representative way. The generation of the asset is classified into a research phase and a development phase. Expenditures from the research phase of an internally generated project are expensed. An intangible asset arising from the development phase can be recognized if it meets certain requirements. Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired through a non-exchange transaction are measured at fair value as of the date it is acquired. Comments on the exposure draft are due on May 30, 2025. The exposure draft can be viewed at the following link: Click here
Cloud computing arrangements	<ul style="list-style-type: none"> As part of its intangible assets project, the Public Sector Accounting Standards Board is also developing guidance on cloud computing arrangements. To ensure the development of this accounting guidance reflects current practices and needs, a survey has been launched to gather insights. The survey will inform the Public Sector Accounting Board about the types of cloud computing arrangements being encountered, magnitude of costs, key arrangement terms, current accounting policies and unique challenges in practice. We encourage all entities to complete the survey by May 30, 2025, which is at the following link: Click here

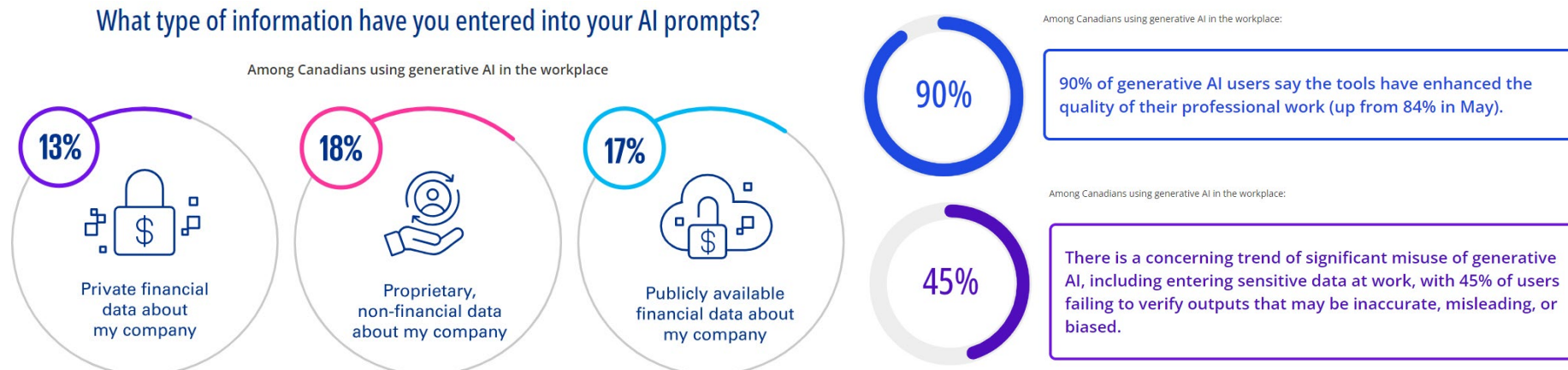


Appendix 4: Thought leadership and insights

Generative AI

Ever since ChatGPT launched publicly on November 30, 2022, generative AI has caught the attention of users around the world – including Canada. One year after its launch, KPMG in Canada conducted a survey about generative AI use in Canada's workplaces: [Generative AI Adoption Index - KPMG Canada](#)

What type of information have you entered into your AI prompts?



For governance bodies, generative AI stands as a pivotal innovation that offers unprecedented opportunities to drive business value, improve productivity, reach broader audiences, streamline operations, and help address complicated global issues. However, it also raises complex business and ethical questions. To gain the full trust of stakeholders, AI systems need to be designed with governance, risk, legal, and ethical frameworks in mind. The aim is not just to manage these challenges as they emerge, but to proactively elevate your organization's AI practices to achieve Trusted AI.

3 key guiding principles that can help boards achieve their Trusted AI objectives

- Ensure AI applications align with ethical and legal standards, safeguarding the organization from potential financial, operational, and reputational risks
- Foster innovation, enabling the business to gain a competitive edge through trustworthy AI development
- Establish a commitment to Trusted AI, enhancing trust and brand value among stakeholders and employees

Learn more about how generative AI affects governance responsibilities and tools to emerge as leaders of responsible innovation that serves the greater good: [Preparing your board for generative AI](#)

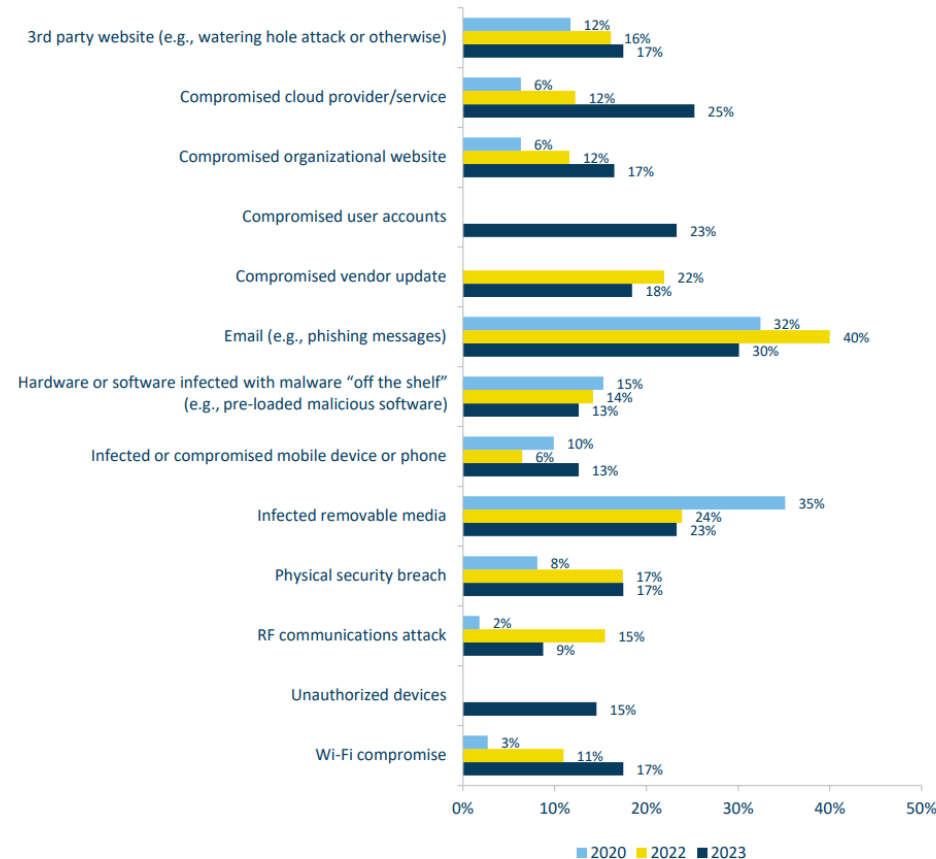


Appendix 4: Thought leadership and insights (continued)

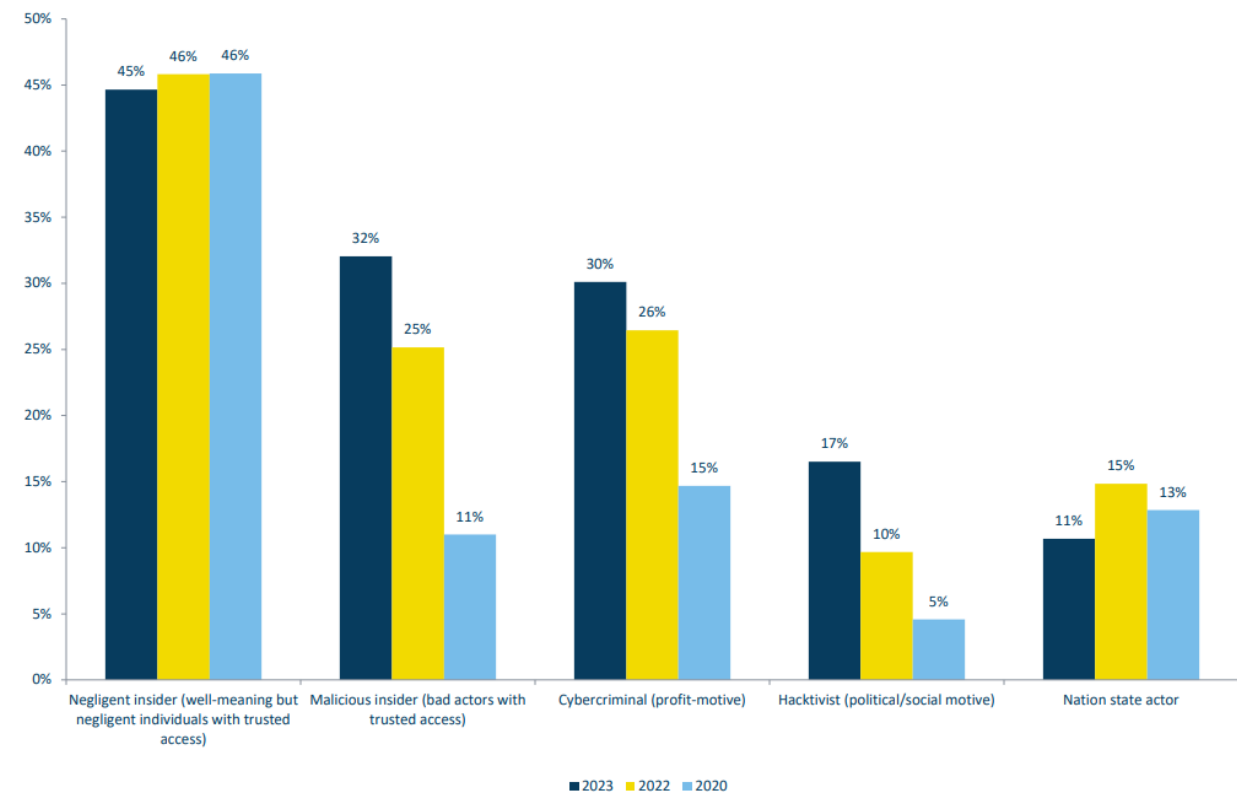
Ransomware in Canada

Canada is the fourth highest victim of ransomware attacks after the US, UK and Malaysia. Where ransomware attacks are successful, the costs can be substantial. COVID-19, lockdown and a shift to remote working has seen a rise in ransomware incidents. Vulnerabilities in people, process and technology controls, due to a shift to remote working over this period, have presented opportunities for cyber criminals.

Trends in types and frequency of cyber incidents



Trends in how cyber incidents arise



Source: The (CS)2 AI-KPMG Control System Cybersecurity Annual Report



Appendix 4: Thought leadership and insights (continued)

Where are Finance Teams adopting AI

Finance's role as a business partner has put them in an ideal position to lead enterprise adoption

Generating commentary

Reduce the time and effort needed to create recurring materials required for financial reporting, business reviews, management reports, and board meetings.

Generating strategic insights

Partner with other functions to provide insights across the business. Use finance's position to inform strategic decisions and solve problems with pricing, performance, and benchmarking metrics.

Managing contracts

Generative AI tools can draft contracts with preferred term and prioritize contract reviews based on deviations from standard terms and conditions.



Forecasting & budgeting

Integrating predictive models, creating scenarios, and generating insights on potential financial outcomes.



Collecting marketing intelligence

Powerful research tool able to find and synthesize public data to generate insights on markets, competitors, and customers.



Detecting anomalies

Generative AI shows promise as a tool for detecting errors and potential fraud. It can compare new data with past patterns to identify anomalies.



AI naturally aligns to CFO's existing responsibilities related to business strategy, digital transformation, and risk management



Appendix 4: Thought leadership and insights (continued)

AI brings Risks as well as Opportunities

Internal Risks & Considerations



Breaking Confidentiality

Many Generative AI models are built to absorb user-inputted data to improve the model over time. This could lead to exposure of key confidential information



Employee Misuse and Inaccuracies

Models generate responses based on input, so there is a risk of providing false or malicious content. Employees need to be cautious and review AI-generated content with a critical



Talent Implications

Professionals need to be made aware of their role in training and evolving the solution as high-quality output can only be achieved through high-quality, expert queries



Policies and Regulations

As the world's understanding of AI evolves, more policies and regulations will be brought upon by regulators which in turn need to be complied with

External Risks & Considerations



Misinformation, Bias and Discrimination

The model could generate a response containing inappropriate information or language. In cases where the model does not have an accurate response, it may 'hallucinate' with a false response.



Financial, Brand & Reputational Risk

Copying AI-produced information or code into any deliverable or product could constitute copyright infringement leading to legal and reputational harm



Intellectual Property and Copyright

Risks in copyright includes the potential creation of unauthorized plagiarized content, leading to infringement and violations of intellectual property rights



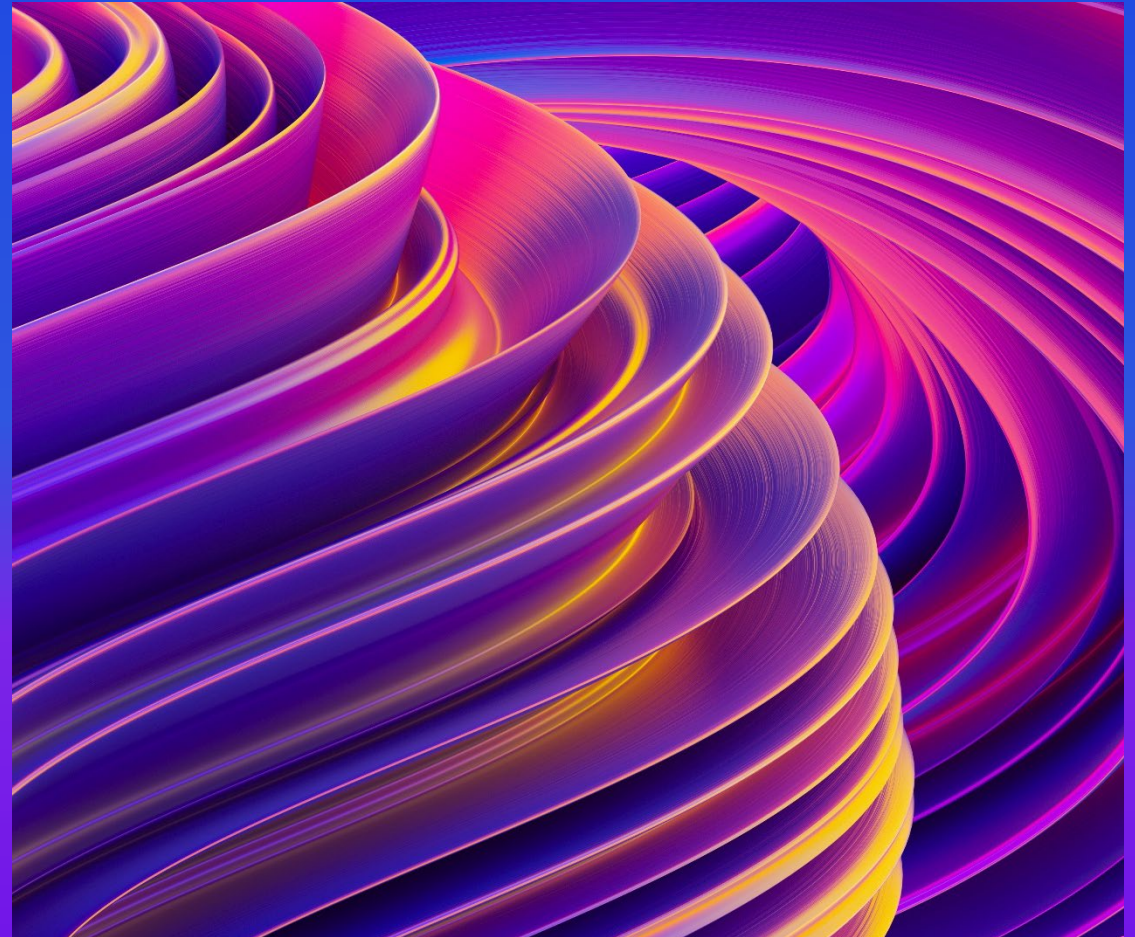
Cybersecurity

Generative AI models could be trained and employed for many cybersecurity attacks such as phishing scams, malware, data poisoning etc.



<https://kpmg.com/ca/en/home.html>

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Capital Regional Hospital District Other Financial Statement Analysis

The 2024 Audited Financial Statement have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) Standards. Under PSAS, governments are required to present five statement with explanatory notes. The first two statements are summarized in the staff report. This appendix provides a summary of the remaining statements and an overview of the Statement of Change in Net Debt and the Statement of Cash Flows.

3. Statement of Change in Net Debt

As of December 31, 2024, the Capital Regional Hospital District's (CRHD) net debt totalled \$54.8 million, reflecting a decrease of \$10.1 million from 2023. Table 7 outlines the difference between the annual surplus reported in the Statement of Operations and the actual change in net debt.

Table 7 – Change in Net Debt Year-Over-Year

Statement of Change in Net Debt (\$M)	2024	2023
Annual Surplus	17.5	19.1
Acquisition of Tangible Capital Assets	(10.5)	(0.2)
Revaluation of Asset Retirement Obligation	-	(0.1)
Amortization of Tangible Capital Assets	3.1	3.1
Change in Net Debt	10.1	21.9
Net Debt, Beginning of Year	(64.9)	(86.8)
Net Debt, End of Year	(\$54.8)	(\$64.9)

The \$10.1 million reduction in net debt was primarily driven by an annual surplus of \$17.5 million and \$3.1 million in amortization, partially offset by \$10.5 million in capital asset acquisitions, including the \$10 million acquisition of Mt. Tolmie Hospital.

4. Statement of Cash Flows

As of December 31, 2024, CRHD's cash balance was \$11.6 million, reflecting an increase of \$1.4 million from 2023. Table 8 outlines the key activities that contributed to this change.

Table 8 – Change in Cash and Cash Equivalents Year-Over-Year

Statement of Cash Flows (\$M)	2024	2023
Operating Activities	18.0	17.7
Capital Activities	(10.5)	(0.2)
Investing Activities	4.5	(15.0)
Financing Activities	(10.6)	(10.9)
Net Change in Cash and Cash Equivalents	1.4	(8.4)
Cash and Cash Equivalents, Beginning of Year	10.2	18.6
Cash and Cash Equivalents, End of Year	\$11.6	\$10.2

The \$1.4 million increase in cash and cash equivalents was primarily due to \$18.0 million in cash generated from operating activities and \$4.5 million from investing activities. The increase in investing activities reflects the sale of guaranteed investment certificates to ensure sufficient cash for capital expenditures, including the acquisition of Mt. Tolmie Hospital. These inflows were partially offset by \$10.5 million in capital expenditures, including the Mt. Tolmie Hospital purchase, and \$10.6 million in financing activities related to long-term debt repayments to the Municipal Finance Authority.

5. Schedule A - Grants to District Hospitals

Schedule A provides a summary of capital grants paid to district hospitals in accordance with the annual financial plan. These grants support equipment purchases, as well as major and minor capital projects which are budgeted within the 10-year capital plan.

In 2024, capital grant expenses totalled \$9.4 million, while the value of completed projects reached \$10.4 million. The CRHD cost shares 30% of approved costs for major capital projects, and as of December 31, 2024, its share of authorized projects stood at \$108.3 million (2023: \$96.9 million).

Table 9 (page 3) presents a summary of grants paid to district hospitals and funding commitments by bylaw, while Table 10 (page 4) provides the same summary organized by hospital facility.

Table 9 - Summary of Grants Paid to District Hospitals and Funding Commitments by Bylaw

Bylaw	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2023	Funded in Current Year (Schedule A)	Funded to December 31, 2024	Remaining Commitment	Planned Approved Funding 2025-2029
Sec 20(3)	Capital Equipment Grants	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -	\$ -
CBL176	2020 Minor Capital Projects	17,556,299	3,750,000	3,744,864	5,136	3,750,000	-	-
CBL180	2021 Minor Capital Projects	16,172,312	3,750,000	2,003,881	475,955	2,479,836	1,270,164	1,270,164
CBL183	Lady Minto Emergency Dept. Redevelopment	12,800,000	3,738,000	2,998,055	739,945	3,738,000	-	-
CBL184	2022 Minor Capital Projects	17,784,582	3,750,000	715,368	1,887,262	2,602,630	1,147,370	1,147,370
CBL186	Summit Chiller Modifications	200,000	200,000	75,170	148,163	223,333	-	-
CBL187	2023 Minor Capital Projects	31,074,761	3,750,000	1,542,942	978,404	2,521,346	1,228,654	1,228,654
CBL189	MDRD Expansion	4,240,000	1,272,000	17,552	19,579	37,131	1,234,869	1,122,000
CBL190	Mt. Tolmie	10,000,000	10,000,000	-	9,980,681	9,980,681	-	-
CBL191	New Long-Term Care	223,694,000	67,108,200	129,659	529,150	658,809	66,449,391	65,647,200
CBL192	MRI Scanner Replacement	2,000,000	600,000	-	379,029	379,029	220,971	150,000
CBL193	Elevator Refurbishment	2,055,718	616,715	-	135,000	135,000	481,715	481,715
CBL194	The Summit Fire Suppression System Remediation	900,000	900,000	-	391,026	391,026	508,974	150,000
CBL195	2024 Minor Capital Projects	23,047,404	3,750,000	-	1,034,477	1,034,477	2,715,523	2,715,523
CBL196	VGH High Performance Controls Upgrade	3,703,305	1,110,992	-	155,613	155,613	955,379	666,595
CBL197	RJH Diagnostic and Treatment BAS Controls Upgrade	3,594,588	1,078,376	-	84,553	84,553	993,823	647,026
Total Commitments		\$ 371,777,969	\$ 108,329,283	\$ 11,227,491	\$ 19,898,973	\$ 31,126,464	\$ 77,206,833	\$ 75,226,247

Table 10 - Summary of Grants Paid to District Hospitals Organized by Hospital Facility

Bylaw	Year Approved	Description	Approved Project Cost (Island Health)	Hospital District Share	Funded to December 31, 2023	Funded in Current Year (Schedule A)	Funded to December 31, 2024	Remaining Commitment	Planned Approved Funding 2025-2029
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
CBL191	2023	New Long-Term Care	\$ 223,694,000	\$ 67,108,200	\$ 129,659	\$ 529,150	\$ 658,809	\$ 66,449,391	\$ 65,647,200
CBL186	2024	Summit Chiller Modifications	200,000	200,000	75,170	148,163	223,333	-	-
CBL190	2023	Mt. Tolmie	10,000,000	10,000,000	-	9,980,681	9,980,681	-	-
CBL194	2024	The Summit Fire Suppression System Remediation	900,000	900,000	-	391,026	391,026	508,974	150,000
Island Health									
Multiple	2020-2024	Minor Capital Projects	14,922,970	3,317,269	1,791,461	666,123	2,457,584	859,685	859,685
Sec 20(3)	2024	Capital Equipment Grants	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
Mount St. Mary Hospital									
Sec 20(3)	2024	Capital Equipment Grants	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2020-2024	Minor Capital Projects	7,641,849	1,097,767	616,075	216,167	832,242	265,525	265,525
Juan de Fuca Hospital									
Multiple	2020-2024	Minor Capital Projects	1,957,341	549,375	446,948	45,335	492,283	57,092	57,092
Lady Minto Hospital									
Multiple	2020-2024	Minor Capital Projects	44,268	5,216	5,216	-	5,216	-	-
CBL183	2021	Lady Minto Emergency Dept. Redevelopment	12,800,000	3,738,000	2,998,055	739,945	3,738,000	-	-
Queen Alexandra Hospital									
Multiple	2020-2024	Minor Capital Projects	2,837,004	718,338	333,456	83,651	417,107	301,231	301,231
Royal Jubilee Hospital									
Multiple	2020-2024	Minor Capital Projects	32,306,741	5,507,042	2,544,976	1,052,731	3,597,707	1,909,335	1,909,335
CBL192	2024	MRI Scanner Replacement	1,132,814	339,844	-	339,844	339,844	-	-
CBL197	2024	RJH Diagnostic and Treatment BAS Controls Upgrade	3,594,588	1,078,376	-	84,553	84,553	993,823	647,026
Saanich Peninsula Hospital									
Multiple	2020-2024	Minor Capital Projects	3,961,089	1,254,915	105,522	178,447	283,969	970,946	970,946
Victoria General Hospital									
Multiple	2020-2024	Minor Capital Projects	41,964,096	6,300,078	2,163,401	2,138,780	4,302,181	1,997,897	1,997,897
CBL189	2023	MDRD Expansion	4,240,000	1,272,000	17,552	19,579	37,131	1,234,869	1,122,000
CBL192	2024	MRI Scanner Replacement	867,186	260,156	-	39,185	39,185	220,971	150,000
CBL193	2024	Elevator Refurbishment	2,055,718	616,715	-	135,000	135,000	481,715	481,715
CBL196	2024	VGH High Performance Controls Upgrade	3,703,305	1,110,992	-	155,613	155,613	955,379	666,595
Total Commitments			\$ 371,777,969	\$ 108,329,283	\$ 11,227,491	\$ 19,898,973	\$ 31,126,464	\$ 77,206,833	\$ 75,226,247