



Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, May 13, 2026

12:10 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. [26-0468](#) Minutes of the Capital Regional Hospital District Board meeting of April 8, 2026

Recommendation: That the minutes of the Capital Regional Hospital District Board meeting of April 8, 2026 be adopted as circulated.

Attachments: [Minutes - April 8, 2026](#)

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. [26-0315](#) Capital Regional Hospital District 2025 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 2025 Audited Financial Statements be approved.
(NWA)

Attachments: [Staff Report: CRHD 2025 Audited Financial Statements](#)
[Appendix A: CRHD 2025 Financial Statements](#)
[Appendix B: CRHD 2025 Audit Findings Report](#)
[Appendix C: CRHD Other Financial Statement Analysis](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. 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 8, 2026

12:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

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

STAFF: T. Robbins, Chief Administrative Officer; N. Chan, Chief Financial Officer/General Manager, Finance and Technology; A. Fraser, General Manager, Infrastructure and Water Services; S. Henderson, General Manager, Electoral Area Services; L. Jones, General Manager, Parks, Recreation and Environmental Services; K. Lorette, General Manager, Housing, Planning and Protective Services; K. Morley, Corporate Officer/General Manager, Corporate Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; S. Mickle, Senior Manager, Panorama Recreation (EP); D. Ovington, Senior Manager, SSI Administration; V. Somosan, Senior Manager/Deputy Chief Financial Officer, Finance and Technology; M. Lagoa, Deputy Corporate Officer/Senior Manager, Legislative Services; T. Pillipow, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Director S. Brice

The meeting was called to order at 12:00 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Acting Chair Goodmanson provided a Territorial Acknowledgement.

2. APPROVAL OF THE AGENDA

MOVED by Director Goodmanson, **SECONDED** by Director Desjardins,
That the agenda for the Capital Regional Hospital District Board meeting of April
8, 2026 be approved.
CARRIED

3. ADOPTION OF MINUTES

- 3.1. [26-0398](#) Minutes of the Capital Regional Hospital District Board meeting of March 11, 2026
- MOVED** by Director Goodmanson, **SECONDED** by Director Desjardins,
That the minutes of the Capital Regional Hospital District Board meeting of March 11, 2026 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

MOVED by Director Goodmanson, **SECONDED** by Director Desjardins,
That consent agenda item 6.2. be approved.
CARRIED

- 6.1. [26-0380](#) Pender Health Care Clinic Capital Funding

Item 6.1. was removed from the consent agenda to be considered under Reports of Committee as item 8.2.

- 6.2. [26-0287](#) Motion with Notice: Salt Spring Island Long Term Care Advocacy Letter (Director Holman)

That the CRHD Board advocate to Island Health requesting they complete the needs assessment for long term care on Salt Spring Island and seek Ministry of Health approval for related site and facility planning, and examination of possible funding partnerships.
CARRIED

7. ADMINISTRATION REPORTS

There were no administration reports.

8. REPORTS OF COMMITTEES

8.1. [26-0232](#) 2026 Minor Capital Projects and Equipment - Approval of Capital Bylaw No. 433

K. Lorette spoke to Item 8.1.

Discussion ensued regarding:

- the disposition of equipment
- that staff report back to the Board this quarter on potential funding changes

**MOVED by Director Goodmanson, SECONDED by Director Desjardins,
The Hospitals and Housing Committee recommends to the Capital Regional
Hospital District Board:**

- 1) That the recommended 2026 Minor Capital Projects totalling \$3,750,000 be approved and expensed from the 2026 requisition;
- 2) That the recommended 2026 equipment grants of \$30,000 to Mount St. Mary Hospital and \$2,925,000 to Island Health be approved and expensed from the 2026 requisition;

CARRIED

**MOVED by Director Goodmanson, SECONDED by Director Desjardins,
3) That Bylaw No. 433, "Capital Regional Hospital District Capital Bylaw No. 200,
2026", be introduced and read a first, second and third time; and
CARRIED**

**MOVED by Director Goodmanson, SECONDED by Director Desjardins,
4) That Bylaw No. 433 be adopted.
CARRIED**

8.2. [26-0380](#) Pender Health Care Clinic Capital Funding

Director Coleman declared a personal conflict due to the clinic being named after his father and recused himself from the meeting at 12:02 pm.

**MOVED by Director Goodmanson, SECONDED by Director Desjardins,
That no adjustment be made, at this time, to the minor capital funding to include
Pender Health Unit, but that opportunities to explore funding capital for
equipment be advanced.
CARRIED**

Director Coleman rejoined the meeting in person at 12:03 pm.

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. ADJOURNMENT

MOVED by Director Goodmanson, **SECONDED** by Director Desjardins,
That the Capital Regional Hospital District Board meeting of April 8, 2026 be
adjourned at 12:08 pm.

CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



Capital Regional Hospital District

REPORT TO THE HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MAY 06, 2026

SUBJECT **Capital Regional Hospital District 2025 Audit Findings Report and Audited Financial Statements**

ISSUE SUMMARY

This report summarizes the Capital Regional Hospital District (CRHD) 2025 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 2025 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 2025 Audited Financial Statements (Appendix A) includes Schedule A which provides a list 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 14, 2026. 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, 2025.

ALTERNATIVES

Alternative 1

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

That the Capital Regional Hospital District 2025 Audited Financial Statements be approved.

Alternative 2

That the Capital Regional Hospital District 2025 Audited Financial Statements be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

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, 2025, the CRHD is in a net debt financial position of \$35.7 million with an accumulated surplus of \$73.1 million.

Financial Assets

Financial assets as of December 31, 2025, totalled \$43.1 million, an increase of \$8.2 million from 2024. Table 1 summarizes financial assets and provides the change year-over-year.

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

Financial Assets (\$M)	2025	2024	\$ Change	% Change
Cash and Cash Equivalents	33.6	11.6	22.0	190%
Investments	7.0	19.5	(12.5)	(64%)
Due from CRD	-	0.5	(0.5)	(100%)
Other Receivables	0.9	1.3	(0.4)	(31%)
Restricted Cash – MFA DRF*	1.6	2.0	(0.4)	(20%)
Total Financial Assets	\$43.1	\$34.9	\$8.2	23%

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

Cash and Cash Equivalents: Cash increased by \$22 million as matured guaranteed investment certificates (GICs) were reallocated to high-interest savings accounts (HISAs). In addition, lower-than-planned capital activity resulted in reduced grants to Island Health and a higher cash balance at year-end.

Investments: Investments decreased by \$12.5 million as GICs were converted to cash and reallocated to HISAs offering more favourable interest rates.

Due from CRD: The balance decreased by \$0.5 million and shifted from a receivable to a payable during the year, primarily due to the timing of inter-entity transactions.

Restricted Cash: Includes the DRF, a 1% holdback by the MFA at loan inception, retained until maturity as security against default. This decreased by \$0.4 million as debt maturities exceeded new issuances during the year.

Financial Liabilities

Financial liabilities as of December 31, 2025, totalled \$78.7 million, a decrease of \$11.0 million from 2024. Table 2 summarizes financial liabilities and provides the change year-over-year.

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

Financial Liabilities (\$M)	2025	2024	\$ Change	% Change
Accounts Payable and other Liabilities	4.1	3.5	0.6	17%
Deferred Revenue	0.4	0.4	-	-
Due to CRD	0.2	-	0.2	-
Short-Term Debt	-	0.5	(0.5)	(100%)
Long-Term Debt	73.1	84.2	(11.1)	(13%)
Asset Retirement Obligation (ARO)	0.9	1.1	(0.2)	(18%)
Total Financial Liabilities	\$78.7	\$89.7	(\$11.0)	(12%)

Accounts Payable and other Liabilities: Accounts payable increased by \$0.6 million, primarily due to the timing of claim payments on major capital projects.

Due to CRD: The balance shifted from a receivable in 2024 to a payable of \$0.2 million in 2025 due to the timing of inter-entity transactions.

Short-Term Debt: The CRHD paid off \$0.5 million of outstanding short-term debt borrowed through the MFA in 2025. These debts were paid from transfers from the debt management reserve.

Long-Term Debt: Decreased by \$11.1 million as debt maturities exceeded new borrowings in 2025.

ARO: Liabilities decreased by \$0.2 million due to revised estimates driven by updated cost information.

Non-Financial Assets

Non-financial assets as of December 31, 2025, totalled \$108.7 million, a decrease of \$3.1 million from 2024. 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)	2025	2024	\$ Change	% Change
Tangible Capital Assets	\$108.7	\$111.8	(\$3.1)	(3%)

Tangible capital assets decreased by \$3.1 million, primarily due to \$3.2 million in amortization expense, partially offset by minor capital activity in the year.

Additional detail is presented in the CRHD 2025 Financial Statements (Appendix A) Note 6 (Tangible Capital Assets).

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, 2025, totalled \$35.7 million, a decrease of \$1.4 million from 2024. Table 4 summarizes revenue and provides the change year-over-year.

Table 4 – Change in Revenue Year-Over-Year

Statement of Operations (\$M)	2025	2024	\$ Change	% Change
Requisition	26.5	26.5	-	0%
Payments in Lieu of Taxes	0.8	0.7	0.1	14%
Lease and other Property Revenue	4.4	4.6	(0.2)	(4%)
Interest Income	1.5	2.0	(0.5)	(30%)
Debenture Maturity Refund	0.7	0.1	0.6	600%
Other Revenue	0.1	-	0.1	-
Actuarial Adjustment on Long-Term Debt	1.7	3.2	(1.5)	(47%)
Total Revenue	\$35.7	\$37.1	(\$1.4)	(4%)

Lease and other Property Revenue: Decreased by \$0.2 million in 2025, primarily driven by prior year cost recoveries for Summit site insurance premiums.

Interest Income: Decreased by \$0.5 million, driven by lower reserve balances throughout the year and declining interest rates on GICs and HISAs.

Debenture Maturity Refund: The revenue increased by \$0.6 million in 2025. This refund represents interest earnings on the DRF, which are distributed as debt matures. The increase in revenue for 2025 is due to more debt maturities compared to 2024

Actuarial Adjustment on Long-Term Debt: The actuarial adjustment reflects 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, 2025, totalled \$19.6 million, no change from 2024. Table 5 summarizes revenue and provides the change year-over-year.

Table 5 – Change in Expenses Year-Over-Year

Statement of Operations (\$M)	2025	2024	\$ Change	% Change
Grants to District Hospitals	10.8	9.3	1.5	16%
Interest on Long-Term and Short-Term Debt	4.0	5.1	(1.1)	(22%)
Amortization and Accretion	3.2	3.2	-	0%
Operating Expenses	1.6	2.0	(0.4)	20%
Total Expenses	\$19.6	\$19.6	-	-

Grants to District Hospitals: Increased by \$1.5 million, reflecting higher grant claims from Island Health.

Interest on Long-Term and Short-Term Debt: Interest expenses decreased \$1.1 million in 2025 as debt maturities outpaced new debt issuances, reducing overall debt balances with the MFA.

Operating Expenses: Decreased by \$0.4 million due to deferred project work and staffing vacancies.

2025 Annual Surplus

The accumulated surplus represents the CRHD’s total net equity, reflecting the sum of annual surpluses and deficits to date. As of 2025, the accumulated surplus stands at \$73.1 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 \$16 million in 2025, a decrease of \$1.5 million from the previous year. While expenses remained stable year over year, revenues decreased, largely driven by a \$1.5 million reduction in actuarial adjustments on long-term debt.

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

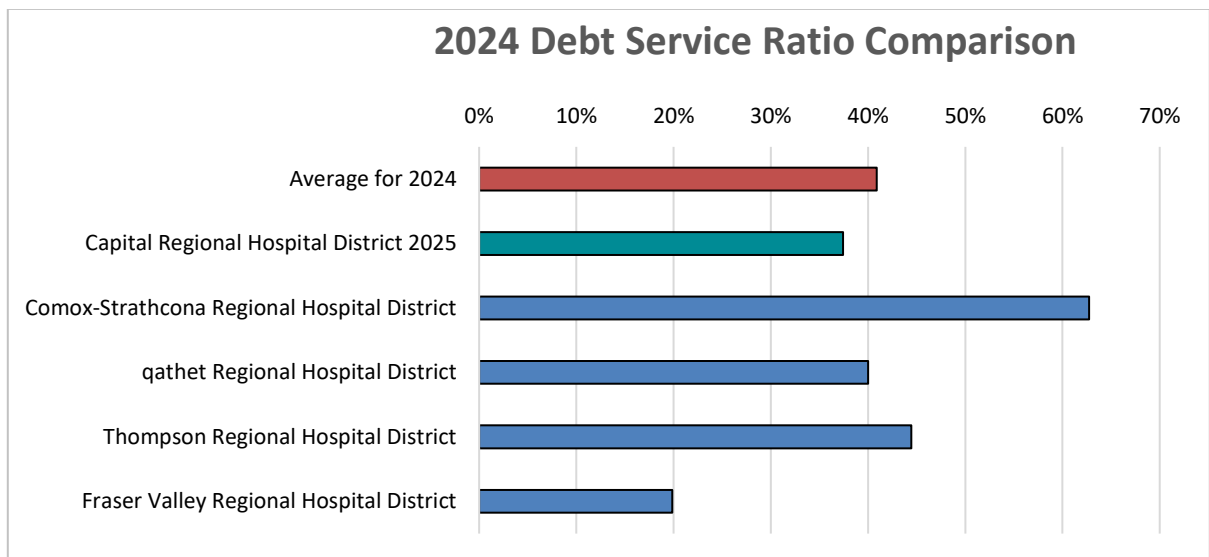
Financial indicators are metrics used to quantify current conditions in addition to forecasting trends. They can be used as a tool to evaluate overall financial condition of the entity. The following indicators measure CRHD’s performance and financial sustainability.

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, 2025, is 37% (2024: 46%).

Table 6 compares CRHD’s debt service ratio as of December 31, 2025, with the 2024 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



* CRHD benchmarked against 2024 figures because 2025 financial information is not yet available.

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, 2025, is 9.2 to 1 (2024: 8.4 to 1), indicating the CRHD’s current assets are sufficient to pay current liabilities 9.2 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, 2025, is 8.9 (2024: 7.3), indicating the CRHD’s revenue is sufficient to repay interest expense 8.9 times.

CONCLUSION

Board approval of the CRHD 2025 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, 2025, 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 2025 Audited Financial Statements be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Senior Manager, Financial Services & Deputy Chief Financial Officer
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer & General Manager, Finance & Technology
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Housing, Planning and Protective Services
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: CRHD 2025 Financial Statements
- Appendix B: CRHD Audit Findings Report [for the year ended December 31, 2025 (KPMG)]
- Appendix C: CRHD Other Financial Statement Analysis

Capital Regional Hospital District 2025 Financial Statements

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KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250 480 3500
Fax 250 480 3539

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, 2025
- 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, 2025, 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
_____, 2026

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, 2025.

On behalf of Capital Regional Hospital District,

Nelson Chan, MBA, FCPA, FCMA
Chief Financial Officer

Statement of Financial Position

As at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 33,597,593	\$ 11,597,326
Investments	7,000,000	19,500,000
Accounts receivable		
Due from Capital Regional District	-	540,620
Other	877,569	1,268,840
Restricted cash - MFA Debt Reserve Fund (Note 2)	1,610,358	1,988,263
	<u>43,085,520</u>	<u>34,895,049</u>
Financial liabilities		
Accounts payable and other liabilities	4,108,387	3,481,196
Deferred revenue	415,527	414,824
Due to Capital Regional District	223,453	-
Short-term debt (Note 3)	-	530,875
Long-term debt (Note 4)	73,094,401	84,175,878
Asset retirement obligation (Note 5)	924,728	1,059,371
	<u>78,766,496</u>	<u>89,662,144</u>
Net debt	(35,680,976)	(54,767,095)
Non-financial assets		
Tangible capital assets (Note 6)	108,730,987	111,831,983
Accumulated Surplus	<u>73,050,011</u>	<u>57,064,888</u>

Contingent liability (Note 4c & 11)

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, 2025

	Budget (Note 10)	2025	2024
Revenue			
Taxation - Municipalities	\$ 24,339,043	\$ 24,339,043	\$ 24,338,262
Taxation - Electoral Areas	2,008,624	2,008,624	2,015,826
Taxation - First Nations	115,635	115,635	108,815
Payments in lieu of taxes	767,476	767,476	670,633
Lease and other property revenue	4,607,766	4,446,075	4,603,192
Interest income	250,000	1,469,210	2,088,088
Debenture maturity refund	424,724	735,221	60,188
Other Revenue	-	80,841	-
Actuarial adjustment on long-term debt	-	1,666,000	3,202,980
	<u>32,513,268</u>	<u>35,628,125</u>	<u>37,087,984</u>
Expenses			
Grants to district hospitals	31,006,233	10,823,601	9,379,103
Interest on long-term debt	4,259,271	4,006,957	5,069,095
Interest on short-term debt	192,273	5,316	19,372
Amortization	-	3,172,643	3,159,500
Accretion	-	45,235	24,799
Operating expenses	2,016,083	1,589,250	1,979,747
	<u>37,473,860</u>	<u>19,643,002</u>	<u>19,631,616</u>
Annual surplus	(4,960,592)	15,985,123	17,456,368
Accumulated surplus, beginning of year	57,064,888	57,064,888	39,608,520
Accumulated surplus, end of year	<u>\$ 52,104,296</u>	<u>\$ 73,050,011</u>	<u>\$ 57,064,888</u>

The accompanying notes are an integral part of these financial statements

Statement of Change in Net Debt

For the year ended December 31, 2025

	Budget (Note 10)	2025	2024
Annual surplus	\$ (4,960,592)	\$ 15,985,123	\$ 17,456,368
Acquisition of tangible capital assets	(3,350,000)	(190,129)	(10,519,870)
Revaluation of asset retirement obligation	-	101,019	(6,045)
Cash received from sale of tangible capital assets	-	17,463	-
Amortization of tangible capital assets	-	3,172,643	3,159,500
Change in net debt	(8,310,592)	19,086,119	10,089,953
Net debt, beginning of year	(54,767,095)	(54,767,095)	(64,857,048)
Net debt, end of year	\$ (63,077,687)	\$ (35,680,976)	\$ (54,767,095)

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2025

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 15,985,123	\$ 17,456,368
Items not involving cash:		
Actuarial adjustment on long-term debt	(1,666,000)	(3,202,980)
Amortization	3,172,643	3,159,500
Accretion	45,235	24,799
Asset retirement obligation	(78,858)	462,183
Increase (decrease) in non-cash assets and liabilities:		
Accounts receivable	391,271	38,885
Accounts payable and accrued liabilities	627,191	(394,596)
Deferred revenue	703	48,309
Due to/(from) Capital Regional District	764,073	(393,440)
Restricted cash	377,905	800,052
Net change in cash from operating activities	19,619,286	17,999,080
Capital activities:		
Cash used to acquire tangible capital assets	(190,129)	(10,519,870)
Cash received from sale of tangible capital assets	17,463	-
Net change in cash from capital activities	(172,666)	(10,519,870)
Investing activities:		
Acquisition of investments	(7,000,000)	(19,500,000)
Proceeds from investments	19,500,000	24,000,000
Net change in cash from investing activities	12,500,000	4,500,000
Financing activities:		
Additions to short-term debt	-	530,875
Additions to long-term debt	-	1,145,042
Repayment of short-term debt	(530,875)	-
Repayment of long-term debt	(9,415,478)	(12,233,743)
Net change in cash from financing activities	(9,946,353)	(10,557,826)
Net change in cash and cash equivalents	22,000,267	1,421,384
Cash and cash equivalents, beginning of year	11,597,326	10,175,942
Cash and cash equivalents, end of year	\$ 33,597,593	\$ 11,597,326

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, 2025

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:

<u>Asset</u>	<u>Useful Life</u>
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. 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, 2025 is \$1,610,358 (2024: \$1,988,263).

3. SHORT-TERM DEBT

The balance of short-term debt as at December 31, 2025 is \$nil (2024: \$530,875). The Hospital District paid \$5,316 (2024: \$19,372) 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.

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

Long-term debt represents gross debt borrowings of \$127,889,583 (2024: \$156,467,380) net of repayments and actuarial adjustments of \$54,795,182 (2024: \$72,291,502).

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:

	2026	2027	2028	2029	2030	Thereafter	Total
Principal	7,790,904	6,606,416	5,004,151	4,351,378	3,912,020	39,484,175	67,149,044
Sinking Fund	797,981	1,383,940	1,013,324	781,260	636,084	1,332,768	5,945,358
	8,588,885	7,990,356	6,017,475	5,132,638	4,548,104	40,816,943	73,094,401

b) Interest Rates of Long-Term Debt Borrowings Issued in the Year

2025	2024
No debt issued in 2025	4.05%

The long-term debt bears interest at rates ranging from 0.91% to 4.97%. The weighted average interest rate at December 31, 2025 is 2.82% (2024: 2.90%).

4. LONG-TERM DEBT (continued)**c) Demand Notes – Contingent Liability**

The MFA holds demand notes related to the Hospital District's debenture debt in the amount of \$3,645,649 (2024: \$4,730,542). 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.

5. ASSET RETIREMENT 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 19 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%.

	2024	ARO Additions	ARO Settlements	Revisions to Estimate	Accretion Expense	2025
Hazardous materials	\$ 1,059,371	-	-	(179,878)	45,235	\$ 924,728

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.

	2025	2024
Discount rate	4.42%	4.27%
Inflation rate	2.82%	2.70%
Settlement timing	16 to 19 years	17 to 20 years

6. TANGIBLE CAPITAL ASSETS

	Cost			Accumulated Amortization			Net Book Value at December 31, 2025
	Balance at December 31, 2024	Additions	Transfers/ Disposals	Balance at December 31, 2024	Amortization Expense	Balance at December 31, 2025	
Work in Progress	\$ -	-	- \$	-	-	-	\$ -
Land	46,530,822	-	(17,463)	46,513,359	-	-	46,513,359
Buildings	80,967,144	190,129	(101,019)	81,056,254	3,172,643	18,838,626	62,217,628
	\$ 127,497,966	190,129	(118,482) \$	127,569,613	3,172,643	18,838,626	\$ 108,730,987

	Cost			Accumulated Amortization			Net Book Value at December 31, 2024
	Balance at December 31, 2023	Additions	Transfers/ Disposals	Balance at December 31, 2023	Amortization Expense	Balance at December 31, 2024	
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	3,159,500	15,665,983	65,301,161
	\$ 116,972,051	10,525,915	- \$	127,497,966	3,159,500	15,665,983	\$ 111,831,983

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.

7. 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 must operate the building as supportive housing.

8. 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, \$1,420,026 (2024: \$1,216,294) of administrative support and project management services from the CRD, of which \$649 (2024: \$17,506) was capitalized.

9. ACCUMULATED SURPLUS

	<u>2025</u>	<u>2024</u>
<u>Surplus:</u>		
Accumulated Surplus	\$ 34,534,564	\$ 28,682,723
Reserve funds set aside for specific purposes:		
Debt Management Reserve	27,093,140	15,468,890
Summit Management Reserve	1,937,978	1,567,904
Land Holdings Management Reserve	2,066,455	1,945,759
Minor Capital Projects Reserve	4,379,973	6,361,711
Hospital District Act Section 20(3) Reserve	3,037,901	3,037,901
	<hr/>	<hr/>
Accumulated Surplus	\$ 73,050,011	\$ 57,064,888

11. BUDGET DATA

The budget data presented in these financial statements is based upon the 2025 operating and capital budgets approved by the Board on March 11, 2025. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue budget	\$ 33,096,568
Less:	
Transfers from reserve	(583,300)
Surplus previous year	-
Revenue per Financial Statements	<u>32,513,268</u>
Expense budget	33,096,568
Add:	
Grants to district hospitals	24,301,233
Less:	
Transfers to reserve	(10,263,952)
Debt principal payments	(9,659,989)
Expense per Financial Statements	<u>37,473,860</u>
Annual Surplus/(Deficit)	<u>\$ (4,960,592)</u>

12. 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.

13. 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, 2025 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 2024.

13. 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 2024.

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 2024.

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 2024.

iii. The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the Hospital District is actively working to monitor and mitigate the risks and impacts of the tariffs.

Grants to District Hospitals

For the year ended December 31, 2025

	Expense 2025	Transfers to completed projects	Total grants December 31, 2025
PROJECTS IN PROGRESS			
Designated Health Care facilities	\$ 628,535	\$ -	\$ 1,287,343
Island Health	3,235,796	(3,077,237)	1,508,687
Gorge Road Hospital	608,365	(93,927)	829,317
Juan de Fuca Hospital	148,361	(43,778)	328,691
Lady Minto Hospital	83,724	-	83,724
Mount St. Mary Hospital	30,000	(30,000)	-
Queen Alexandra Hospital	38,912	(298,296)	157,722
Royal Jubilee Hospital	1,848,447	(1,804,746)	3,494,375
Saanich Peninsula Hospital	623,208	(445,211)	425,453
Victoria General Hospital	3,578,253	(911,805)	7,201,119
	<u>10,823,601</u>	<u>(6,705,000)</u>	<u>15,316,431</u>
COMPLETED PROJECTS			
Designated Health Care facilities	-	-	24,164,901
Island Health	-	3,077,237	104,054,634
Gorge Road Hospital	-	93,927	8,946,887
Juan de Fuca Hospital	-	43,778	39,718,699
Lady Minto Hospital	-	-	9,954,269
Mount St. Mary Hospital - Fairfield	-	30,000	15,629,545
Queen Alexandra Hospital	-	298,296	9,817,729
Royal Jubilee Hospital	-	1,804,746	271,824,383
Saanich Peninsula Hospital	-	445,211	22,183,132
Victoria General Hospital	-	911,805	104,955,542
	<u>-</u>	<u>6,705,000</u>	<u>611,249,721</u>
	10,823,601	-	626,566,152
LESS:			
Province of British Columbia share of grants to hospitals recorded before change in capital payment process in 2000	-	-	(126,010,301)
	<u>\$ 10,823,601</u>	<u>\$ -</u>	<u>\$ 500,555,851</u>

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

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| **Capital Regional Hospital District**

625 Fisgard Street
Victoria, BC V8W 2S6
250.360.3000

www.crd.ca
Facebook: Capital Regional District



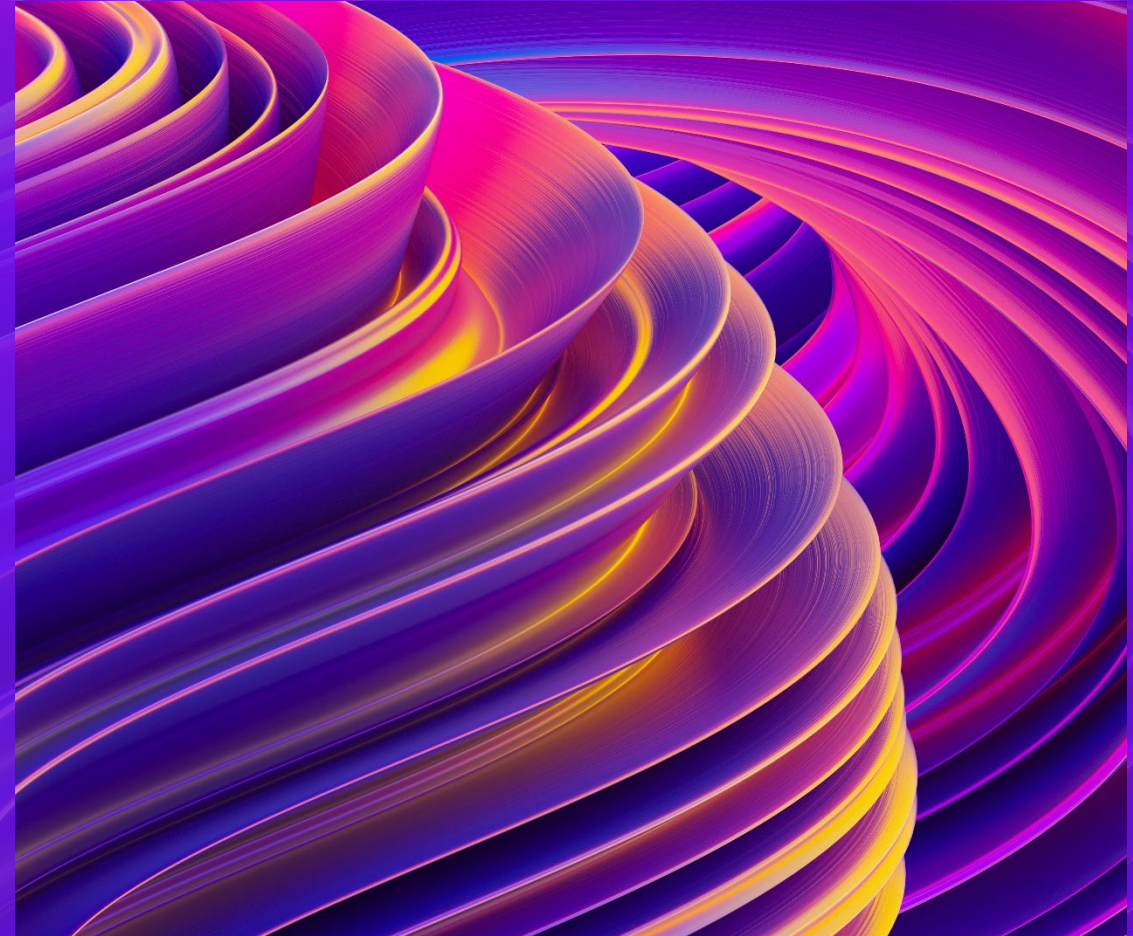
Capital Regional Hospital District

**Audit Findings Report
for the year ended
December 31, 2025**



Prepared for the Hospitals and Housing Committee meeting on
May 6, 2026

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement

Lenora Lee

Lead Audit Engagement Partner

250-480-3588

lenoramlee@kpmg.ca

Cameron Rice-Gural

Senior Manager

250-480-3677

cricegural@kpmg.ca



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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.

4	Highlights	5	Status	6	Risks and results
10	Policies and practices	11	Misstatements	12	Control deficiencies
13	Independence	15	Appendices		










Audit highlights



No matters to report



Matters to report – see link for details

Status	<p>We have completed the audit of the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report. </p>	Misstatements - uncorrected	<p><input checked="" type="checkbox"/> Uncorrected misstatements </p> <ul style="list-style-type: none"> 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.
Significant changes	<p><input type="checkbox"/> Significant changes since our audit plan</p>		
Risks and results & Significant unusual transactions	<p><input checked="" type="checkbox"/> Significant risks </p> <ul style="list-style-type: none"> Presumed risk of management override of controls <p><input checked="" type="checkbox"/> Other risks of material misstatement </p> <p><input type="checkbox"/> Significant unusual transactions</p>	Misstatements - Corrected	<p><input type="checkbox"/> Corrected misstatements</p> <ul style="list-style-type: none"> There are no matters to report.
Policies and practices & Specific topics	<p><input type="checkbox"/> Accounting policies and practices </p> <p><input type="checkbox"/> Other financial reporting matters</p>	Control deficiencies	<p><input type="checkbox"/> Significant deficiencies </p> <ul style="list-style-type: none"> We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.
		Independence	<p><input checked="" type="checkbox"/> Independence Confirmation </p>



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 approval 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 provided





Significant risks and results

We highlight our significant findings in respect of **significant risks**.



Fraud risk from management override of controls

RISK OF



ERROR FRAUD

Significant risk

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.

Significant findings

- There were no issues noted in our testing.



Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



Tangible Capital Assets

Our response

- We obtained an updated understanding of the capital asset process.
- We reviewed Board meeting minutes and performed inquiries to obtain an understanding of land acquisitions and status of development of land acquired.
- We obtained the continuity schedule of opening balances, additions, disposals, amortization and closing balances and validated the mathematical accuracy of the schedule.
- 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 inspected 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.

Significant 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.
- There were no issues 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.
- There were no issues 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.



Significant accounting policies and practices



Initial selection of significant accounting policies and practices

There have been no initial selections of accounting policies and practices.



Description of new or revised significant accounting policies and practices

There have been no new or revised significant accounting policies and practices.



Significant qualitative aspects

No matters to report.



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 \$78,400.

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.

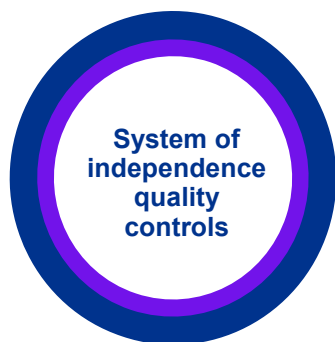
We did not identify any significant deficiencies in internal control over financial reporting.



Independence: Shared responsibilities

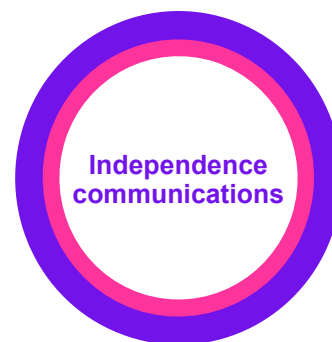
Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of non-reporting issuers; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of non-public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm’s independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements.



- We will report to those charged with governance all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We will also report the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication, if any, will be provided during our year-end communications.





Independence



Under the newly effective *Narrow-scope Amendments to Canadian Auditing Standard (CAS) 700, Forming an Opinion and Reporting on Financial Statements, and CAS 260, Communication with Those Charged with Governance*, the auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities.

In accordance with this requirement, we communicate to the Committee that we apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA Code”) that are relevant to audits of financial statements; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants that are relevant to audits of financial statements.

Appendices

1

Required communications

2

Management representation letter

3

Current developments

4

Thought leadership and insights

5

Canadian sustainability reporting activities





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, 2025 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 1: Required communications (continued)

Management's responsibilities



Under the auditing standards, we are required to obtain the agreement of management that it acknowledges and understands its responsibility. An audit of the annual financial statements does not relieve management or those charged with governance of their responsibilities. We have obtained management's acknowledgment and understanding of their responsibilities in the engagement letter and as described below:

- (a) *the preparation and fair presentation of the annual financial statements in accordance with the financial reporting framework referred to above.*
- (b) *providing us with all information of which management is 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, of Council, and committees of Council that may affect the financial statements. All significant actions are to be included in such summaries.*
- (c) *providing us with unrestricted access to such relevant information.*
- (d) *providing us with complete responses to all enquiries made by us during the engagement.*
- (e) *providing us with additional information that we may request from management for the purpose of the engagement*
- (f) *providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence*
- (g) *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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.*
- (h) *ensuring that all transactions have been recorded and are reflected in the financial statements.*
- (i) *ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.*
- (j) *providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.*



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, 2025.

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 the following matters and addressed them as required:
 - 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.
- f) complete reviews or investigations into allegations of fraud or misconduct, when brought forward.
- g) take required actions arising from any reviews or investigations into allegations brought forward.
- h) provide available supporting information and documentation relevant to matters investigated.

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.

Other:

- 12) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented. For the purpose of this representation, a service organization is one as defined in CAS 402.

Non-SEC registrants or non-reporting issuers:

- 13) 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).
- 14) 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 been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

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	-	-	(\$78,400)	\$78,400
Total misstatements	-	-	(\$78,400)	\$78,400



Appendix 3: Current developments

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....
Communications
with those charged
with governance

Summary of Changes:

New requirements for the auditor to communicate:

- about the relevant ethical requirements, including those related to independence, that the auditor applied to the audit of the financial statements; and
- any enhanced independence requirement that the auditor applied specific to the audit of financial statements of certain entities.

ISA 700/CAS 700

.....
Forming an opinion
and reporting on
the financial
statements

Summary of Changes:

New requirements for the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities WHEN the ethical requirements require public disclosure.



Appendix 3: Current developments (continued)

Accounting standards

Conceptual Framework for Financial Reporting in the Public Sector

Effective for years commencing 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

Effective for years commencing on or after April 1, 2026 with early adoption permitted.

- The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*.
- The proposed section includes the following:
 - 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.

Example of a Typical Implementation Approach

Phase 1

- Understand the existing financial reporting processes.
- Examine chart of accounts and trial balance.
- Review accounting policy.
- Gap assessment and implementation plan.

Phase 2

- Data gathering and financial data analysis.
- Budget and performance reporting.
- System and software impacts.
- Implementation and compliance adjustments



Appendix 3: Current developments (continued)

Accounting standards (continued)

Employee Benefits

Effective for years commencing on or after April 1, 2029 with early adoption permitted.

- The Public Sector Accounting Board has issued a new standard PS 3251 *Employee benefits* which will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*.
- The standard uses principles from International Public Sector Accounting Standard 39 *Employee benefits* as a basis for the Canadian standard.
- The standard results in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position.
- The standard also requires that fully funded post-employment benefit plans use a discount rate based on the expected market-based return of plan assets and underfunded 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.
- The standard also requires that:
 - Deferral provisions – Remeasurement gains and losses are presented as part of accumulated remeasurement gains and losses.
 - Valuation of plan assets – Upon adoption, public sector entities may continue to recognize non-transferable financial instruments balances that meet the definition of plan assets under existing PS 3250 guidance. This transitional provision does not permit the recognition of additional amount after adoption that do not meet the revised definition of plan assets.
 - Joint defined benefit plans – Defined benefit accounting is used for measurement of the proportionate share of the plan, instead of previously proposed multi-employer plan accounting which permitted accounting based on defined contribution concepts where insufficient information exists to use defined benefit accounting.
 - Disclosure of other long-term employee benefits and termination benefits – The standard does not include prescriptive disclosure requirements for other long-term employee benefits and termination benefits.
- The standard's guidance will be applied retroactively, with or without prior period restatement.



Appendix 3: Current developments (continued)

Accounting standards (continued)

Intangible Assets

Proposed to be effective for years commencing on or after April 1, 2030 with early adoption permitted.

- The Public Sector Accounting Standards Board has issued proposed new standard PS 3155 *Intangible Assets* which would replace Public Sector Guideline 8 *Purchased Intangibles*.
- 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.

Cloud Computing Arrangements

- 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 was used 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.



Appendix 4: Thought leadership and insights

Half of Public Servants Turn to AI Raising Risks

KPMG survey finds public sector unready for AI, low literacy, need for digital sovereignty.

While less than a quarter (**22 per cent**) of Canadian public sector organizations have adopted artificial intelligence (AI), half of the public servants who use AI in their jobs rely on publicly available AI tools, exposing governments to potential risks including data privacy and security breaches, intellectual property theft and exposure to biased or inaccurate information that can lead to legal and ethical issues, finds a new KPMG in Canada research.

[Click here for more information](#)

Intelligent Government

The emergence of generative AI, alongside advanced autonomous and agentic systems, is transforming how government and the public sector innovate and operate. Our findings reveal an actionable blueprint for governments and organizations aiming to leverage AI's potential to drive efficiency, reduce time-to-market and improve patient outcomes. This report provides insights into how they can take a value-based approach to AI that helps to accelerate innovation, unlock new growth opportunities, and maximize the impact of their AI investments.

[Click here for more information](#)

KPMG 2025 Canadian CEO Outlook

Our 2025 CEO Outlook survey reveals a compelling paradox: Canadian CEOs are increasingly confident in the growth of their companies and industries, yet their optimism about the Canadian and global economies is waning.

Despite the evolving pressures, CEOs alike are proactively focusing on making their organizations more resilient to external shocks. They are not just reacting to changes, but are actively seeking ways to mitigate external risks, improve productivity and optimize revenue.

[Click here for more information](#)

Midyear Observations on the 2025 Board Agenda

Disruption, volatility, and uncertainty aren't new operating conditions by any means. But the assumptions that have long driven corporate thinking - the role of government, geopolitical norms, and consistency in US policies as administrations change, and the speed of technological advances—are being upended. Few business leaders have experienced the scope, complexity, and combination of issues companies are facing today—and many will earn their stripes in the months ahead.

[Click here for more information](#)

Accelerate

The Canadian business landscape is experiencing profound interconnected geopolitical, technological and sustainability challenges which are causing compound impacts on the balance sheet. The audit committee's role in stewarding their organization towards increased productivity, resilience, and growth has never been more essential.

Our *Accelerate* series strives to provide audit committees with actionable insights and clear guidance for navigating through these interconnected challenges.

[Click here for more information](#)



Appendix 4: Thought leadership and insights (continued)

From Smart to Smarter Cities

Leveraging integration, data and enablement for sustainable and resilient urban transformations.

Cities are reaching a crisis point. City populations are growing. Citizen satisfaction with government services is weakening. And net zero deadlines are looming. Cities recognize that their traditional approaches to city planning, development, management and renewal will not get them to their goals in time. They must become smarter, more integrated, data-driven and enabling.

From Smart to Smarter Cities explores how a focus on becoming more integrated, data-driven and enabling can help city decision-makers, infrastructure leaders and private companies accelerate their smart city agendas.

In this report, professionals from KPMG's global network join with experienced industry and city leaders to unpack these three priorities – integrated, data-driven and enabling – across the lens of the six challenges facing cities today – urban planning, data and privacy, transportation and mobility, sustainability and social equity, governance and oversight, and funding and financing.

[Click here for more information](#)

Blueprint for Livable Economies

Unlocking livability through place-based business cases

Rapid urbanization, climate volatility, fiscal constraint and rising social expectations are exposing the limits of traditional approaches to urban planning and investment. The challenge is not a lack of ambition or funding, but rather how decisions are made, investments are structured and delivery is governed and coordinated. Addressing the gap between investment and outcomes requires cities to move beyond asset-level justification towards integrated, geography-specific portfolios and place-based business cases that reflect how places function and are experienced in practice.

Developed in collaboration by KPMG International, Davos Baukultur Alliance and UN-Habitat, this white paper supports that shift. Drawing on global case studies, executive insight and practical tools, it sets out how public sector leaders can apply a place-based approach using levers already within their control.

At the center of the paper is the *Blueprint for livable economies*, a decision-making framework designed to help city leaders, investors and partners align outcomes, economic pathways and delivery mechanisms.

[Click here for more information](#)



Appendix 4: Thought leadership and insights (continued)

Our latest thinking on the issues that matter most to Boards, Committees and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit Committees and Boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.





Appendix 4: Thought leadership and insights (continued)

Where are Finance Teams adopting AI

Finance's role as a business partner has put them 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.



Appendix 5: Canadian sustainability reporting activities

Get ready for Canadian Sustainability Standards Board (CSSB) sustainability disclosures



What was issued?

- The first Canadian Sustainability Disclosure Standards¹, which mark the next step towards equal prominence for sustainability and financial reporting in Canada.
- They are aligned with the IFRS[®] Sustainability Disclosure Standards, with the exception of effective date and transition relief.
- They are based on existing frameworks and standards, including Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).
- They are investor-focused.



What's the impact?

- Companies applying these standards will report on all relevant sustainability topics (not just on climate) under a consistent framework and focus on how these topics impact a company's prospects.
- Reporting will be connected to the financial statements. Therefore, companies will need processes and controls in place so that they can provide sustainability-related information of the same quality, and at the same time, as their financial information.



What's next?

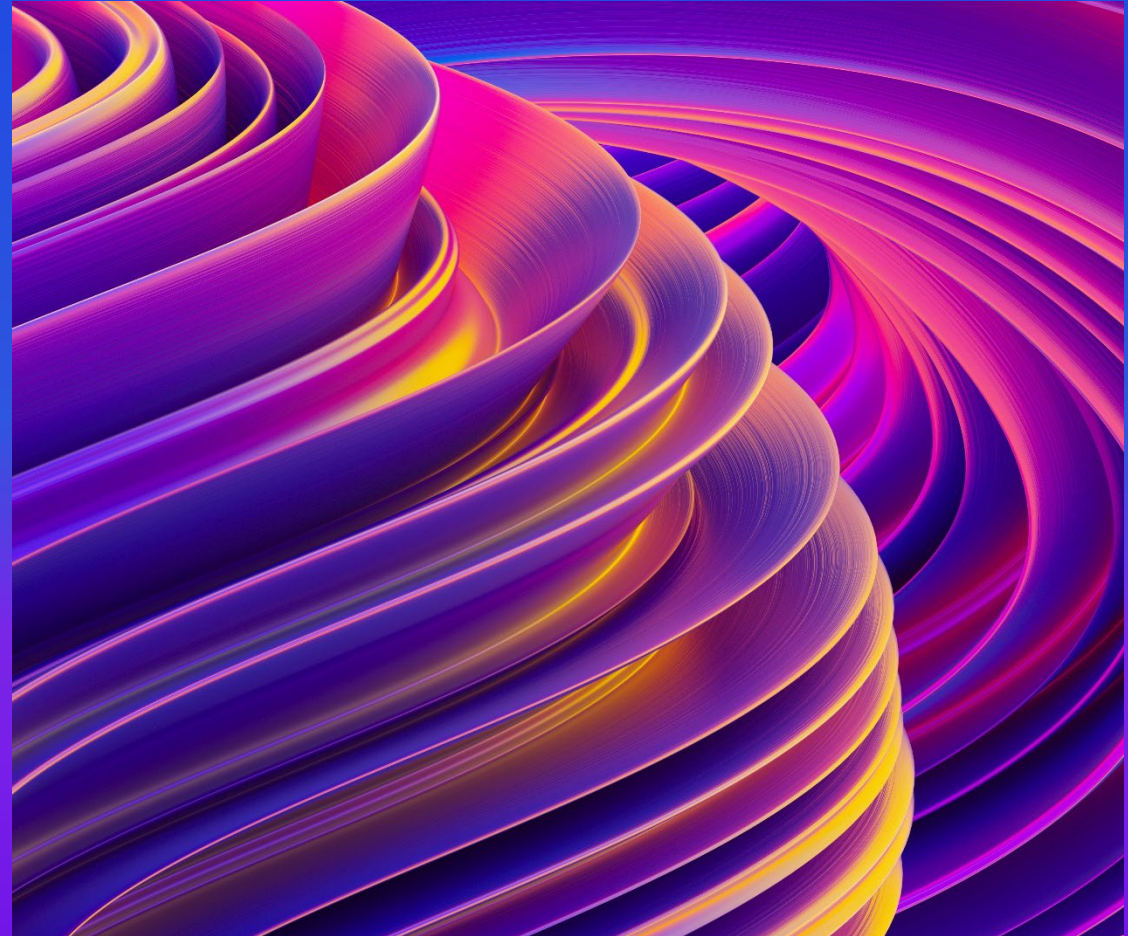
- The standards are effective from January 1, 2025 on a voluntary basis.
- Canada's provincial and territorial regulators and legislators will determine whether application of the standards should be mandated, and if so, who will need to apply them and over what time frame.
- Some public and private companies may choose to apply them voluntarily – e.g., in response to investor or societal pressure.

¹ Canadian Sustainability Disclosure Standards – CSDS 1 *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2 *Climate-related Disclosures*, both published on December 18, 2024.



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

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Capital Regional Hospital District Other Financial Statement Analysis

The 2025 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, 2025, the Capital Regional Hospital District's (CRHD) net debt totalled \$35.7 million, reflecting a decrease of \$19.1 million from 2024. 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)	2025	2024
Annual Surplus	15.9	17.5
Acquisition of Tangible Capital Assets	(0.2)	(10.5)
Revaluation of Asset Retirement Obligation	0.2	-
Amortization of Tangible Capital Assets	3.2	3.1
Change in Net Debt	19.1	10.1
Net Debt, Beginning of Year	(54.8)	(64.9)
Net Debt, End of Year	(\$35.7)	(\$54.8)

The \$19.1 million reduction in net debt was primarily driven by an annual surplus of \$15.9 million and \$3.2 million in amortization.

4. Statement of Cash Flows

As of December 31, 2025, CRHD's cash balance was \$33.6 million, reflecting an increase of \$22 million from 2024. 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)	2025	2024
Operating Activities	19.6	18.0
Capital Activities	(0.2)	(10.5)
Investing Activities	12.5	4.5
Financing Activities	(9.9)	(10.6)
Net Change in Cash and Cash Equivalents	22.0	1.4
Cash and Cash Equivalents, Beginning of Year	11.6	10.2
Cash and Cash Equivalents, End of Year	\$33.6	\$11.6

The \$22 million increase in cash and cash equivalents was primarily due to \$19.6 million in cash generated from operating activities and \$12.5 million from investing activities. The increase in

investing activities reflects the sale of guaranteed investment certificates to ensure sufficient cash for capital expenditures. These inflows were partially offset by \$9.9 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 2025, capital grant expenses totalled \$10.8 million, while the value of completed projects reached \$6.7 million. The CRHD cost shares 30% of approved costs for major capital projects, and as of December 31, 2025, its share of authorized projects stood at \$200.5 million (2024: \$108.3 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, 2024	Funded in Current Year (Schedule A)	Funded to December 31, 2025	Remaining Commitment	Planned Approved Funding 2026-2030
Sec 20(3)	Capital Equipment Grants	\$ 2,955,000	\$ 2,955,000	\$ -	\$ 2,955,000	\$ 2,955,000	\$ -	\$ -
CBL180	2021 Minor Capital Projects	16,172,312	3,750,000	2,479,836	1,270,162	3,750,000	-	-
CBL184	2022 Minor Capital Projects	17,784,582	3,750,000	2,602,630	446,452	3,049,082	700,918	700,918
CBL187	2023 Minor Capital Projects	31,074,761	3,750,000	2,521,346	351,953	2,873,299	876,701	876,701
CBL189	MDRD Expansion	4,240,000	1,272,000	37,131	69,479	106,610	1,165,390	-
CBL191	New Long-Term Care	223,694,000	67,108,200	658,809	628,535	1,287,344	65,820,856	52,282,350
CBL192	MRI Scanner Replacement	2,000,000	600,000	379,029	150,001	529,030	-	-
CBL193	Elevator Refurbishment	2,055,718	616,715	135,000	69,378	204,378	412,337	71,205
CBL195	2024 Minor Capital Projects	23,047,404	3,750,000	1,034,477	1,193,920	2,228,397	1,521,603	1,521,603
CBL196	VGH High Performance Controls Upgrade	3,703,305	1,110,992	155,613	451,049	606,662	504,330	166,649
CBL197	RJH Diagnostic and Treatment BAS Controls Upgrade	3,594,588	1,078,376	84,553	572,026	656,579	421,797	75,000
CBL198	2025 Minor Capital Projects	9,374,999	3,750,000	-	2,469,250	2,469,250	1,503,997	1,503,997
CBL199	VGH Electrical Energy Center	74,604,830	22,381,449	-	196,396	196,396	22,185,053	10,437,750
Total Commitments		\$ 414,301,499	\$ 115,872,732	\$ 10,088,424	\$ 10,823,601	\$ 20,912,027	\$ 95,112,982	\$ 67,636,173

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, 2024	Funded in Current Year (Schedule A)	Funded to December 31, 2025	Remaining Commitment	Planned Approved Funding 2026-2030
APPROVED AND ACTIVE CAPITAL PROJECTS									
Designated Health Care Facilities									
CBL 191	2023	New Long-Term Care	\$ 223,694,000	\$ 67,108,200	\$ 658,809	\$ 628,535	\$ 1,287,344	\$ 65,820,856	\$ 52,282,350
Island Health									
Multiple	2021-2025	Minor Capital Projects	11,935,470	2,282,269	1,350,128	310,796	1,660,925	606,689	606,689
Sec 20(3)	2025	Capital Equipment Grants	2,925,000	2,925,000	-	2,925,000	2,925,000	-	-
Mount St. Mary Hospital									
Sec 20(3)	2025	Capital Equipment Grants	30,000	30,000	-	30,000	30,000	-	-
Gorge Road Hospital									
Multiple	2021-2025	Minor Capital Projects	6,767,917	868,553	314,879	608,365	923,245	-	-
Juan de Fuca Hospital									
Multiple	2021-2025	Minor Capital Projects	889,991	236,287	224,108	148,361	372,468	-	-
Lady Minto Hospital									
Multiple	2021-2025	Minor Capital Projects	200,000	80,000	-	83,724	83,724	-	-
Queen Alexandra Hospital									
Multiple	2021-2025	Minor Capital Projects	2,937,004	758,338	417,106	38,912	456,019	314,816	314,816
Royal Jubilee Hospital									
Multiple	2021-2025	Minor Capital Projects	30,287,861	5,905,209	2,936,024	1,353,878	4,289,902	1,684,812	1,684,812
CBL192	2024	MRI Scanner Replacement	1,000,000	300,000	339,844	12,796	352,640	-	-
CBL197	2024	RJH Diagnostic and Treatment BAS Controls Upgrade	3,594,588	1,078,376	84,553	572,026	656,579	421,797	75,000
Saanich Peninsula Hospital									
Multiple	2021-2025	Minor Capital Projects	3,851,214	1,298,403	247,456	623,208	870,664	633,150	633,150
Victoria General Hospital									
Multiple	2021-2025	Minor Capital Projects	40,584,601	7,320,941	3,148,587	2,564,493	5,713,081	1,363,752	1,363,752
CBL189	2023	MDRD Expansion	4,240,000	1,272,000	37,131	69,479	106,610	1,165,390	-
CBL192	2024	MRI Scanner Replacement	1,000,000	300,000	39,185	137,205	266,643	-	-
CBL193	2024	Elevator Refurbishment	2,055,718	616,715	135,000	69,378	204,378	412,337	71,205
CBL196	2024	VGH High Performance Controls Upgrade	3,703,305	1,110,992	155,613	451,049	606,662	504,330	166,649
CBL199	2025	VGH Electrical Energy Center	74,604,830	22,381,449	-	196,396	196,396	22,185,053	10,437,750
Total Commitments			\$ 414,301,499	\$ 115,872,732	\$ 10,088,424	\$ 10,823,601	\$ 21,002,280	\$ 95,112,982	\$ 67,636,173