

Newfoundland and Labrador Health Services

**Consolidated financial statements
March 31, 2024**

Newfoundland and Labrador Health Services – Consolidated

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March 31, 2024

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Management's Report

Management's Responsibility for Newfoundland and Labrador Health Services Financial Statements

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized. Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Trustees [the "Board"] is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Finance Committee [the "Committee"]. The Committee meets with management and the external auditor to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the consolidated financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements.

The Office of the Auditor General conducts an independent audit of the annual consolidated financial statements of Newfoundland and Labrador Health Services, in accordance with Canadian generally accepted auditing standards, to express an opinion thereon. The Office of the Auditor General has full and free access to financial management of Newfoundland and Labrador Health Services.

On behalf of Newfoundland and Labrador Health Services.



Karen Stone, KC
Chief Executive Officer (Interim)



Scott Bishop, CPA, CGA, CHE
Vice President – Corporate Services
and Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To the Chair of the Finance Committee of the Board of Trustees and Members
Newfoundland and Labrador Health Services
St. John's, Newfoundland and Labrador

Opinion

I have audited the consolidated financial statements of the Newfoundland and Labrador Health Services, which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statement of operations and accumulated deficit, consolidated statement of change in net debt, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Health Services as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of Newfoundland and Labrador Health Services in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Newfoundland and Labrador Health Services' 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 cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report (cont.)

Those charged with governance are responsible for overseeing Newfoundland and Labrador Health Services' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 my 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 Newfoundland and Labrador Health Services' 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 Newfoundland and Labrador Health Services' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (cont.)

I 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 I identify during my audit.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

July 29, 2024
St. John's, Newfoundland and Labrador

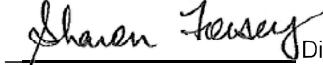
Newfoundland and Labrador Health Services
Consolidated statement of financial position
[in thousands of Canadian dollars]

As at March 31,

	2024
	\$
Financial assets	
Cash	10,776
Restricted cash [note 3]	2,137
Accounts receivable [note 5]	145,574
Security deposits	68
Due from other entities	1,236
Capital replacement reserve fund [note 6]	1,076
Sinking fund investment [note 7]	31,517
	192,384
Liabilities	
Bank indebtedness	8,331
Operating facility [note 8]	648,325
Accounts payable and accrued liabilities [note 9]	380,738
Employee future benefits	
Accrued severance pay [note 17]	2,067
Accrued sick leave [note 18]	121,170
Accrued vacation pay	134,248
Deferred contributions	
Deferred capital gains [note 10a]	94,994
Deferred operating revenue [note 10b]	79,443
Special purpose fund	
Security deposits	68
Asset retirement obligation - long-term capital [note 20]	11,084
Capital replacement reserve fund [note 6]	1,076
Long-term debt [note 11]	136,246
	1,619,805
Net debt	(1,427,421)
Non-financial assets	
Tangible capital assets [note 12]	690,688
Deposits on capital assets	335
Supplies inventory [note 21]	50,480
Prepaid expenses	38,669
	780,172
Accumulated deficit	(647,249)
Contingencies [note 14]	
Contractual obligations [note 15]	

Approved by the Board

 _____ Director

 _____ Director

Newfoundland and Labrador Health Services
Consolidated statement of operations and accumulated deficit
[in thousands of Canadian dollars]

Year ended March 31,	Original Budget	Final Budget	2024
	\$ [unaudited] [note 24]	\$ [unaudited] [note 24]	\$
Revenue			
Provincial plan	2,559,712	2,766,034	2,766,034
Medical Care Plan	141,027	138,708	133,931
Other	84,400	111,768	103,924
Provincial plan capital grant	—	—	127,209
Resident	36,589	38,491	41,637
Inpatient	16,183	17,209	18,225
Outpatient	19,093	16,426	17,345
Other capital contribution	—	—	10,244
Cottage operations	—	—	6,951
	2,857,004	3,088,636	3,225,500
Expenses [note 22]			
Patient and resident services	670,395	734,636	834,222
Client services	673,858	723,899	765,759
Diagnostic and therapeutic	346,241	351,251	363,472
Support	407,546	418,852	451,937
Ambulatory care	301,116	341,751	368,218
Administration	297,274	315,368	322,700
Medical services	179,052	194,208	208,419
Amortization of tangible capital assets	—	—	52,040
Research and education	26,354	31,941	36,152
Other	8,920	25,482	37,070
Gain on disposal	—	—	18
Employee future benefits			
Accrued severance pay recovery	—	—	(1,651)
Accrued sick leave expense	—	—	1,355
Accrued vacation pay expense	—	—	5,681
Loss on effect on restructuring transaction [note 23]	—	—	420,825
Cottages operations	—	—	6,532
	2,910,756	3,137,388	3,872,749
Annual deficit	(53,752)	(48,752)	(647,249)
Accumulated deficit, beginning of year	—	—	—
Accumulated deficit, end of year	(53,752)	(48,752)	(647,249)

See accompanying notes which are integral to these financial statements.

Newfoundland and Labrador Health Services
Consolidated statement of changes in net debt
[in thousands of Canadian dollars]

Year ended March 31,	2024
	\$
Annual deficit	<u>(647,249)</u>
Changes in tangible capital assets	
Acquisition of tangible capital assets	(140,531)
Additions of tangible capital assets due to restructuring	(602,261)
Gain on disposal of capital assets	64
Amortization of tangible capital assets	52,040
Increase in net book value of tangible capital assets	<u>(690,688)</u>
Changes in other non-financial assets	
Prepaid expenses	(38,669)
Supplies inventory	(50,480)
Deposits on capital assets	(335)
Increase in other non-financial assets	<u>(89,484)</u>
Increase in net debt	<u>(1,427,421)</u>
Net debt, beginning of year	—
Net debt, end of year	<u>(1,427,421)</u>

See accompanying notes which are integral to these financial statements.

Newfoundland and Labrador Health Services
Consolidated statement of cash flows
[in thousands of Canadian dollars]

Year ended March 31	2024
	\$
Operating transactions	
Annual deficit	(647,249)
Adjustments for	
Loss on restructuring	434,683
Amortization of tangible capital assets	52,040
Changes in non-cash working capital	
Accrued severance pay	(1,651)
Accrued sick leave	1,355
Accrued vacation	5,682
Accounts receivables	(34,500)
Accounts payable	105,210
Supplies inventory	(382)
Prepaid expenses	4,589
Cash used in operating transactions	(80,223)
Capital transactions	
Acquisition of tangible capital assets	(140,531)
Disposal of tangible capital assets	64
Change in deposit on capital assets	2,545
Cash used in capital transactions	(137,922)
Investing transactions	
Increase in restricted cash	(638)
Increase in sinking fund investment	(2,064)
Cash used in investing transactions	(2,702)
Financing transactions	
Repayment of long-term debt	(2,008)
Deferred capital contributions	(19,024)
Deferred operating	(6,797)
Special purpose funds	732
Operating facility, net	250,389
Cash provided by financing transactions	223,292
Net increase in cash	2,445
Cash, beginning of year	—
Cash, end of year	2,445
Cash consists of:	
Cash	10,776
Bank indebtedness	(8,331)
	2,445

See accompanying notes which are integral to these financial statements.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

1. Nature of operations

Newfoundland and Labrador Health Services ["NL Health Services"] is responsible for the governance of health services in the Province of Newfoundland and Labrador [the "Province"].

NL Health Services was established on April 1, 2023 through the amalgamation of the province's four regional health authorities, [Eastern Regional Health Authority, Central Regional Health Authority, Western Regional Health Authority, and Labrador-Grenfell Regional Health Authority] and the Newfoundland and Labrador Centre for Health Information ["NLCHI"]. See note 25 for further details.

The mandate of NL Health Services spans the full health continuum, including primary and secondary level health and community services for the Province. NL Health Services also has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention of disease initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, NL Health Services also provides education and research in partnership with all stakeholders.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ["PSAS"] established by the Public Sector Accounting Standards Board of the Chartered Professional Accountants of Canada. The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity, which is composed of all organizations that are controlled by NL Health Services. These organizations are listed under the basis of consolidation. Trusts administered by NL Health Services are not included in the consolidated statement of financial position *[note 13]*.

NL Health Services has also prepared separate non-consolidated financial statements for the operations of the operating fund of NL Health Services.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

Basis of consolidation

NL Health Services controls the following entities, which were established to provide accommodations for family members of patients and housing to senior citizens:

- General Hospital Hostel Association – Agnes Cowan Hostel, St. John's, NL
- Northwest Rotary – Janeway Hostel Corporation, St. John's, NL
- Lions Manor Inc., Placentia, NL
- Trinity Conception Regional Housing Board ["TCRHB"] Housing Complex Inc. Old Perlican, NL
- Golden Heights Manor Cottages, Bonavista, NL
- Blue Crest Cottages, Grand Bank, NL
- North Haven Manor Cottages, Lewisporte, NL
- Valley Vista Cottages, Springdale, NL
- Bonnews Lodge Apartment Complex, New-Wes-Valley, NL
- St. Anthony Interfaith Home Apartment Complex, St. Anthony, NL
- Bay St. George Senior Citizens Home and Emile Benoit House, Stephenville Crossing, NL
- Gateway Cottages Association, Port aux Basques, NL
- Gateway Apartments, Port Aux Basques, NL
- Interfaith Home for Senior Citizens, Corner Brook, NL

These consolidated financial statements reflect the assets, liabilities, revenues and expenses for the activities of these entities. All inter-entity assets, liabilities, revenues and expenses have been eliminated.

Revenue recognition

Provincial plan revenue without eligibility criteria and stipulations restricting its use is recognized as revenue when the government transfers are authorized.

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by NL Health Services, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes liability, the transfer is recognized in revenue when the liability is settled. Medical Care Plan ["MCP"], inpatient, outpatient and residential revenues are recognized in the period services are provided.

NL Health Services is funded by the Department for the total of its operating costs, after deduction of specified revenue and expenses, to the extent of the approved budget. The final amount to be received by NL Health Services for a particular fiscal year will not be determined until the Department has completed its review of NL Health Services' consolidated financial statements. Adjustments resulting from the Department's review and final position statement will be considered by NL Health Services and reflected in the period of assessment.

Other revenue includes dietary revenue, shared salaries and services and rebates and salary recoveries from WorkplaceNL. Rebates and salary recovery amounts are recorded once the amounts to be recorded are known and confirmed by WorkplaceNL.

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[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

Expenses

Expenses are recorded on an accrual basis as they are incurred and measurable based on receipt of goods or services.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed, or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

Cash (bank indebtedness)

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash or bank indebtedness, respectively.

Supplies inventory

Supplies inventory is valued at the lower of cost and replacement cost, determined on a first-in, first-out basis.

Tangible capital assets

NL Health Services has control over certain assets for which title resides with the Government of Newfoundland and Labrador [the "Government"]. These assets have not been recorded in the consolidated financial statements of NL Health Services. The Government does not charge NL Health Services any amount for the use of such assets. Certain additions and improvements made to said tangible capital assets are paid for by NL Health Services and are reflected in the consolidated financial statements.

It is expected that these rates will charge operations with the total cost of the assets less estimated salvage value over the useful lives of the assets as follows:

Land improvements	Straight-line 10 years and declining balance 2.5% - 20%
Buildings and improvements	Straight-line 40 years and declining balance 5% - 6.25%
Equipment and motor vehicles	Straight-line 5 - 7 years and declining balance 12.5% - 33.3%
Computer network assets	Straight-line 10 years

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Construction in progress is not amortized until the project is substantially complete, at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

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[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

Impairment of long-lived assets

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

Capital and operating leases

A lease that transfers substantially all of the benefits and risks associated with ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair value. Assets acquired under capital leases are amortized on the same basis as other similar capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

Employee future benefits

Accrued severance

Due to changes in collective agreements, severance benefits accrued have been paid out to eligible employees. Employees who opted not to receive eligible severance payments were given the option to defer payment but will not accrue any further severance benefits.

Accrued sick leave

Employees of NL Health Services are entitled to sick leave benefits that accumulate but do not vest. NL Health Services recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees, which is 13 years.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

Pension costs

Employees are members of the Public Service Pension Plan and/or the Government Money Purchase Plan [the "Plans"] administered by the Government. The Plans, which are defined benefit plans, are considered multi-employer plans, and are the responsibility of the Government. Contributions to the Plans are required from both the employees and NL Health Services. The annual contributions for pensions are recognized as an expense as incurred and amounted to \$119,826,640 for the year ended March 31, 2024.

Sinking fund investment

The sinking fund was established for the partial retirement of NL Health Services' sinking fund debenture, which is held and administered by the Government.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

Contributed services

Volunteers contribute a significant amount of their time each year assisting NL Health Services in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include the assumptions used in the valuation of employee future benefits, tangible capital asset useful life, allowance for doubtful accounts, and asset retirement obligations. Actual results could differ from these estimates.

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. NL Health Services determines the classification of its financial instruments at initial recognition.

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the instrument.

Cash and bank indebtedness are classified at fair value. Other financial instruments, including accounts receivable, sinking fund investment, and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

3. Restricted cash

Restricted cash relates to amounts held for special purpose funds and endowment funds.

4. Change in accounting policy

On April 1, 2023, NL Health Services adopted PS 3400 Revenues. This is a new standard on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". The accounting change did not have a material impact on the consolidated financial statements.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

5. Accounts receivable

	2024
	\$
Services to patients, residents and clients	32,020
Other	25,694
Government of Newfoundland and Labrador	77,078
Other government entities	17,996
Gross accounts receivable	152,788
Less allowance for doubtful accounts	(7,214)
Net accounts receivable	<u>145,574</u>

6. Capital replacement reserve fund

These funds have been set aside to fund the balance of reserves required under agreements with NLHC as described in note 16. The use of these funds is restricted to the purchase of items approved by NLHC.

	2024
	\$
Balance, beginning of year	-
Add (deduct)	
Transaction due to restructuring	1,024
Allocation from earnings	119
Contributions from authority	13
Interest income	3
Approved expenditures for the year	(83)
Balance, end of year	<u>1,076</u>

7. Sinking fund investment

A sinking fund investment, established for the partial retirement of the Debenture [note 11], is held in trust by the Government. The balance as at March 31, 2024 includes interest earned in the amount of \$14,320,872. The annual principal payment to the sinking fund investment until the maturity of the Debenture on June 15, 2040, is \$747,500.

8. Operating facility

NL Health Services has access to a line of credits totaling \$693,000,000 in the form of revolving demand loans and/or overdrafts at its financial institutions. As at March 31, 2024, NL Health Services had used \$648,325,201 from their line of credit. NL Health Services' ability to borrow has been approved by the Province's Minister of Health and Community Services.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

9. Accounts payable and accrued liabilities

	2024
	\$
Accounts payable and accrued liabilities	207,449
Salaries and wages payable	98,027
Employee and employer remittances	3,058
Government of Newfoundland and Labrador	13,838
Government of Canada	34,384
Other government entities	23,982
	380,738

10. Deferred contributions

	2024
	\$
Deferred capital grants [a]	
Balance as at beginning of year	-
Transfers due to restructuring	114,018
Receipts during the year	132,924
Recognized in revenue during the year	(151,948)
Balance as at end of year	94,994
Deferred operating revenue [b]	
Balance as at beginning of year	-
Transfers due to restructuring	86,240
Receipts during the year	1,866,821
Recognized in revenue during the year	(1,873,618)
Balance as at end of year	79,443

- [a] Deferred capital grants represent transfers from government and other government entities received with associated stipulations relating to the purchase of capital assets, resulting in a liability. These grants will be recognized as revenue when the related assets are acquired or constructed, and the liability is settled.
- [b] Deferred operating revenue represents externally restricted government transfers with associated stipulations relating to specific projects or programs, resulting in liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

11. Long-term debt

	2024 \$
Sinking fund debenture, Series HCCI, 6.90%, maturing June 2040, interest payable semi-annually on June 15 and December 15 [the "Debenture"]	130,000
NLHC, [Golden Heights Manor Seniors Home], 10.50% mortgage, maturing in August 2027, repayable in blended monthly instalments of \$7,777.	148
NLHC, [Golden Heights Manor Seniors Home], 10.50% mortgage, maturing in August 2027, repayable in blended monthly instalments of \$7,549.	266
Royal Bank of Canada, 6.99% interest rate, maturing July 2027, repayable in blended monthly payments of \$597.	22
Royal Bank of Canada, 6.99% interest rate, maturing July 2027, repayable in blended monthly payments of \$597.	22
Royal bank of Canada, 4.63% interest rate, maturing August 2027, repayable in blended monthly payments of \$1,490.	56
NLHC, [Bay St. George Seniors Home], 8.00% mortgage, maturing in October 2026, repayable in blended monthly payments of \$9,523	270
Obligations under capital lease, 3.00% maturing in May 2028, payable in blended monthly instalments which escalate on an annual basis	1,973
Canadian Imperial Bank of Commerce, [CIBC], [Carmelite House], 2.67%, maturing January 2027, repayable in equal blended monthly payments of \$56,108.	1,832
CIBC, [3 Twomey Drive, Botwood], 4.49%, maturing July 2027, repayable in equal blended monthly payments of \$399.	15
NLHC, [Valley Vista Senior Citizens Home], 8.00%, maturing August 2027, repayable in equal monthly payments of \$10,124	369
NLHC, [Authority offices], 7.88%, maturing August 2024, repayable in equal monthly payments of \$8,165	54

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

11. Long-term debt (continued)

NLHC, [TCRHB], 2.27%, maturing December 2027, repayable in blended monthly instalments of \$2,031	88
NLHC, [St. Anthony 12-unit apartment complex], 1.81%, maturing December 2027, repayable in blended monthly instalments of \$4,323	81
NLHC, [North Haven Manor Cottages], 1.81%, maturing July 2025, repayable in blended monthly instalments of \$3,046	49
NLHC, [Bonnews Lodge Apartment Complex], 2.14%, maturing November 2024, repayable in blended monthly instalments of \$3,725	31
NLHC, [Inter-Faith Home for Senior Citizens – Cottage 3), 4.02%, maturing September 2029, repayable in blended monthly instalments of \$3,945	246
NLHC, [Inter-Faith Home for Senior Citizens – Cottage 1), 10.00%, maturing February 2028, repayable in blended monthly instalments of \$8,028	318
NLHC, [Bay St. George Senior Citizens Home – 8-unit Cottages) 1.81%, maturing August 2027, repayable in blended monthly instalments of \$2,292	91
NLHC, [Bay St. George Senior Citizens Home – Emile Benoit House], 1.81%, maturing May 2028, repayable in blended monthly instalments of \$4,563	220
	<hr/>
	136,246

The semi-annual interest payments on the Debenture are \$4,485,000. The semi-annual interest payments and mandatory annual sinking fund payments on the Debenture are guaranteed by the Government.

Future principal repayments to maturity are as follows:

	\$
2025	1,847
2026	1,773
2027	1,585
2028	853
Thereafter	<hr/> 130,188
	<hr/> 136,246

Newfoundland and Labrador Health Services

Consolidated financial statements

[Tabular amounts in thousands of Canadian dollars]

March 31, 2024

12. Tangible capital assets

	Land and land improvements \$	Buildings and Improvements \$	Equipment and Motor Vehicle \$	Construction in progress \$	Computer Network Assets \$	Total \$
Cost						
Opening balance	-	-	-	-	-	-
Additions due to restructuring	6,271	714,918	1,076,819	99,571	53,389	1,950,968
Additions	-	53,106	97,542	(10,765)	648	140,531
Disposals	-	-	(309)	-	(14,062)	(14,371)
Closing balance	6,271	768,024	1,174,052	88,806	39,975	2,077,128
 Accumulated amortization						
Opening balance	-	-	-	-	-	-
Additions due to restructuring	1,644	397,948	900,547	-	48,568	1,348,707
Additions	13	14,882	34,928	-	2,217	52,040
Disposals	-	-	(245)	-	(14,062)	(14,307)
Closing balance	1,657	412,830	935,230	-	36,723	1,386,440
Net book value	4,614	355,194	238,822	88,806	3,252	690,688

13. Trust funds

Trusts administered by NL Health Services have not been included in the consolidated financial statements as they are excluded from the Government reporting entity. As at March 31, 2024, the balance of funds held in trust for residents of long-term care facilities was \$4,636,372. These trust funds include a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

14. Contingencies

A number of legal claims have been filed against NL Health Services. An estimate of loss, if any, relative to these matters is not determinable at this time, and no provision has been recorded in the accounts for these matters.

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15. Contractual obligations

NL Health Services has entered into a number of multiple-year operating leases, contracts for the delivery of services and the use of assets. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Future minimum lease payments for the next five years are as follows:

	\$
2025	27,602
2026	16,730
2027	13,124
2028	9,678
2029	9,144
Thereafter	<u>15,504</u>
	<u>91,782</u>

16. Agreement with Newfoundland and Labrador Housing Corporation

Effective June 2, 1997, NLHC assumed responsibility for agreements previously administered by Canada Mortgage and Housing Corporation ["CMHC"].

With respect to the NLHC mortgages disclosed in note 11, Cottages and Hostels have entered into an agreement for mortgage interest subsidization with NLHC. Under the agreement, Cottages and Hostels are required to fund \$119,445 per year for capital replacement, with the funds including accrued interest, to be deposited in either Government of Canada Bonds or a separate savings account, as disclosed in note 6.

17. Accrued severance pay

NL Health Services has contracts with the Newfoundland and Labrador Medical Association for salaried physicians, as well as collective agreements with various unions in each zone. All current contracts and collective agreements have resulted in the curtailment and settlement of severance benefits, however eligible employees were given the option to defer payment without accruing any further severance benefits. At March 31, 2024, the accrued severance pay is \$2,067,000.

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18. Accrued sick leave

NL Health Services provides sick leave to employees as the obligation arises and accrues a liability based on anticipation of sick days accumulating for future use. In 2024, cash payments to employees for NL Health Services' unfunded sick leave benefits amounted to \$14,331,000.

The most recent actuarial valuation for the accrued sick obligation was performed effective March 31, 2021 with an extrapolation to March 31, 2024.

The accrued benefit liability and benefit expense of the sick leave are outlined below:

	2024
	\$
Accrued benefit liability, beginning of year	-
<i>Benefits expense</i>	
Transfer due to restructuring	119,815
Current period benefit cost	9,900
Interest on accrued benefit obligation	4,521
Amortization of actuarial losses and gains	<u>1,106</u>
	135,342
Benefits paid	(14,331)
Unamortized actuarial (gains)/losses	<u>159</u>
Accrued benefit liability, end of year	<u>121,170</u>
Current period benefit cost	9,900
Interest on accrued benefit obligation	4,521
Amortization of actuarial losses and gains	<u>1,106</u>
Total expense recognized for the year	<u>15,527</u>

The significant actuarial assumptions used in measuring the accrued sick leave benefit expense and liability are as follows:

Discount rate – liability	4.71% as at March 31, 2024
Discount rate – benefit expense	4.47% as at March 31, 2023
Rate of compensation increase	4.71% in fiscal 2024
	4.47% in fiscal 2023

NLNU salary rates will be assumed to increase 2.75% on April 1st of each of 2021, 2022, 11.75% at April 1, 2023, 2.75% on April 1st of each 2024, 2025, and 3.50% per annum thereafter,
All other contracts salary rates will be assumed to increase at 2.75% on April 1st of each of 2021, 2022, 2023, 2024, 2025, and 3.50% per annum thereafter.

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19. Related party transactions

NL Health Services' related party transactions occur with the Government and other government entities. Other government entities are those who report financial information to the Government.

Transfers from the Government are funding payments made to NL Health Services for operating expenditures, capital expenditures, and payments made from the MCP. Transfers from other related government entities are payments made to NL Health Services from WorkplaceNL. Transfers to other related government entities are payments made by NL Health Services to faith-based long-term care facilities and Memorial University. Transactions are settled at prevailing market prices under normal trade terms.

NL Health Services had the following transactions with the Government and other government entities:

	2024
	\$
Transfers from the Government of Newfoundland and Labrador	<u>2,896,976</u>
Transfers from other government entities	<u>149,806</u>
Transfer to other related government entities	<u>88,719</u>
	<u>3,135,501</u>

20. Asset retirement obligation

NL Health Services owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Province's former regional health authorities recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at April 1, 2022. This obligation is included in the restructuring transaction as noted in Note 25.

The buildings had an estimated useful life of 40 years when they were purchased prior to 1983 and are fully depreciated. Post-closure care is estimated to extend for up to a year post the closure of the building, while demolition and construction continues. The original buildings are recorded as tangible capital assets in the financial records of the Government of Newfoundland and Labrador and NL Health Services equipment disposal is handled by vendors as per contract. The estimated total undiscounted future expenditures are \$11,083,936. The liability is expected to be settled upon demolition or renovation of each of the buildings.

21. Supplies inventory

	2024
	\$
Supplies inventories	<u>41,468</u>
Pandemic inventories	<u>9,012</u>
	<u>50,480</u>

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22. Expenses by object

This disclosure supports the functional display of expenses provided in the consolidated statement of operations and accumulated deficit by offering a different perspective of the expenses for the year. The following presents expenses by object, which outlines the major types of expenses incurred by NL Health Services during the year.

	2024
	\$
Salaries	1,678,787
Supplies - other	664,247
Direct client costs	477,615
Employee benefits	284,198
Maintenance	55,664
Supplies - medical and surgical	114,306
Drugs	109,292
Amortization of tangible capital assets	52,040
Interest on long-term debt	9,225
Other	18
Loss on effect on restructuring transaction	420,825
Cottage operations	6,532
Total expenses	<u>3,872,749</u>

23. Financial instruments and risk management

Risks and uncertainties

NL Health Services is exposed to a number of risks as a result of the financial instruments on its consolidated statement of financial position that can affect its operating performance. These risks include credit risk, liquidity risk, and interest rate risk. NL Health Services Board of Trustees has overall responsibility for the oversight of these risks and reviews NL Health Services' policies on an ongoing basis to ensure that these risks are appropriately managed. NL Health Services is not exposed to interest rate risk as the majority of its long-term debt obligations are at fixed rates of interest. The sources of risk exposure and how each is managed are outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. NL Health Services' credit risk is primarily attributable to accounts receivable. NL Health Services has a collection policy and monitoring processes intended to mitigate potential credit losses. The risk is further reduced as a significant portion of accounts receivable are associated with the Government in addition to other government entities; therefore, collection of these amounts is reasonably assured. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that NL Health Services will not be able to meet its financial obligations as they become due. In fiscal 2024, NL Health Services had an authorized credit facility [the "Facility"] of \$693,000,000. As at March 31, 2024, NL Health Services had \$44,674,799 in funds available on the Facility. To the extent that NL Health Services

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23. Financial instruments and risk management (continued)

does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party funding or from the Province, assuming these can be obtained.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. NL Health Services' interest rate risk is primarily attributable to its operating loan, sinking funds, and long-term debt. NL Health Services is not materially exposed to interest rate risk on its long-term debt obligations as the majority are at a fixed rate of interest. The operating loan has a variable interest rate which involves the risk of default on interest and principal and price changes due to, without limitation, such as factors as interest rates and economic conditions.

24. Final Budget

NL Health Services prepares an initial budget for a fiscal period that is approved by the Board of Trustees and the Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget, and an updated budget is prepared by NL Health Services. The updated budget [the "Budget"] amounts are reflected in the budget amounts as presented in the consolidated statement of operations and accumulated deficit. Budgeted figures in the consolidated financial statements are not audited.

The Original Budget and the Budget do not include amounts relating to certain non-cash and other items including tangible capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance and sick leave, and adjustments to accrued vacation pay as such amounts are not required by the Government to be included in the Original Budget or the Budget. NL Health Services also does not prepare a full budget in respect of changes in net debt as NL Health Services does not include an amount for tangible capital asset amortization or the acquisition of tangible capital assets in the Original Budget or the Budget.

The following presents a reconciliation between the Original Budget and the final Budget as presented in the consolidated statement of operations and accumulated deficit for the year ended March 31, 2024:

	Revenue \$	Expenses \$	Annual surplus (deficit) \$
Original Budget	2,857,004	2,910,756	(53,752)
Adjustments during the year for service and program changes, net	226,632	226,632	-
Revised Original Budget	3,083,636	3,137,388	(53,752)
One-time funding approved by the Government	5,000	-	5,000
Final Budget	3,088,636	3,137,388	(48,752)

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25. Restructuring transactions

On April 1, 2023, NLHS entered a restructuring transaction with the Province's 4 regional health authorities, [Eastern Regional Health Authority ("Eastern"), Central Regional Health Authority ("Central"), Western Regional Health Authority ("Western"), Labrador-Grenfell Regional Health Authority ("Labrador")] and Newfoundland and Labrador Centre for Health Information ("NLCHI") to join operations together. The restructuring transaction was undertaken to streamline programs and services, as well as associated corporate services.

NLHS has recognized in the Statement of Financial Position, the assets and liabilities received from the five entities at their carrying amount on the date of the restructuring as illustrated below. No adjustments were made to the carrying amounts of the assets or liabilities. No costs, including compensation, were incurred because of the restructuring.

The Regional Health Authority Act was repealed and replaced with Provincial Health Authority Act on April 1, 2023. This legislative change required restructuring transactions to be completed.

Note 25. Restructuring transactions

	Eastern	Labrador	Central	Western	NLCHI	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	3,644	478	—	—	16,073	20,195
Restricted cash	—	1,499	—	—	—	1,499
Accounts receivable	65,191	14,429	13,071	15,341	4,062	112,094
Security deposits	—	—	64	—	—	64
Sinking fund investment	29,453	—	—	—	—	29,453
Due from replacement reserve	—	—	—	220	—	220
Capital replacement reserve	474	67	273	320	—	1,134
	98,762	16,473	13,408	15,881	20,135	164,659
Liabilities						
Bank indebtedness	—	6,337	—	—	—	6,337
Operating facility	289,486	21,778	34,940	51,732	—	397,936
Accounts payable and accrued liabilities	176,466	14,837	42,262	30,827	11,140	275,532
Employee future benefits						
Accrued severance pay	2,441	513	264	486	14	3,718
Accrued sick leave	71,028	9,302	19,372	19,547	566	119,815
Accrued vacation pay	80,858	8,778	20,860	13,246	4,824	128,566
Deferred contributions						
Deferred capital revenue	49,522	16,235	23,960	23,010	1,291	114,018
Deferred operating revenue	40,625	7,185	6,692	9,294	22,444	86,240
Special purpose fund	—	1,283	—	—	—	1,283
Security deposits	—	—	64	—	—	64
Asset retirement obligation - long-term capital	1,400	1,244	6,741	1,699	—	11,084
Capital replacement reserve	474	67	273	320	—	1,134
Long-term debt	131,019	131	3,241	3,863	—	138,254
	843,319	87,690	159,669	154,024	40,279	1,283,981
Net debt	(744,557)	(71,217)	(145,261)	(138,143)	(20,144)	(1,119,322)
Non-financial assets						
Tangible capital assets	397,002	52,795	73,783	73,830	4,851	602,261
Deposits on capital assets	—	—	2,880	—	—	2,880
Supplies inventory	37,423	2,916	3,531	6,198	30	50,098
Prepaid expenses	24,809	1,153	4,404	3,034	9,858	43,258
	459,234	56,864	84,598	83,062	14,739	698,497
Effect of restructuring transactions	(285,323)	(14,353)	(60,663)	(55,081)	(5,405)	(420,825)