

# **Eastern Regional Health Authority**

**Consolidated financial statements  
March 31, 2023**

## Eastern Regional Health Authority

### Table of contents

March 31, 2023

	Page
Statement of management responsibility	1
Independent auditor's report	2-4
Consolidated statement of financial position	5
Consolidated statement of operations and accumulated deficit	6
Consolidated statement of changes in net debt	7
Consolidated statement of cash flows	8
Notes to consolidated financial statements	9-24

## **Management's Report**

### **Management's Responsibility for the Eastern Regional Health Authority Consolidated 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 is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board of Trustees. The Board of Trustees reviews internal financial information on a periodic basis and external audited consolidated financial statements yearly.

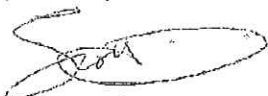
The Office of the Auditor General conducts an independent audit of the annual consolidated financial statements of the Eastern Regional Health Authority, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Office of the Auditor General has full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

On behalf of the Eastern Regional Health Authority.



---

Kenneth W. Baird  
President and Chief Executive Officer  
(Interim)



---

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



OFFICE OF THE AUDITOR GENERAL  
NEWFOUNDLAND AND LABRADOR

## **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 Eastern Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2023, 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 Eastern Regional Health Authority as at March 31, 2023, 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 the Eastern Regional Health Authority 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.

### **Other Matter**

The consolidated financial statements of the Eastern Regional Health Authority for the year ended March 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2022.

### **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.

## **Independent Auditor's Report (cont.)**

In preparing the consolidated financial statements, management is responsible for assessing the Eastern Regional Health Authority'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 cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Eastern Regional Health Authority's 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 the Eastern Regional Health Authority'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 Eastern Regional Health Authority's 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. As described in Note 25 of the consolidated financial statements, as of April 1, 2023 the Eastern Regional Health Authority dissolved and became part of the new Newfoundland and Labrador Health Services.

## **Independent Auditor's Report (cont.)**

- 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.

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 12, 2023  
St. John's, Newfoundland and Labrador

# Eastern Regional Health Authority

## Consolidated statement of financial position

[in thousands of Canadian dollars]

As at March 31

	2023	2022
	\$	\$
<b>Financial assets</b>		
Cash	3,644	—
Accounts receivable [note 3]	17,575	22,082
Due from government/other government entities [note 4]	47,280	34,746
Due from other entities	336	3,309
Capital replacement reserve fund [note 12]	474	470
Sinking fund investment [note 11]	29,453	27,572
	<u>98,762</u>	<u>88,179</u>
<b>Liabilities</b>		
Bank indebtedness	—	10,702
Operating facility [note 6]	289,486	215,390
Accounts payable and accrued liabilities [note 7]	129,451	122,129
Due to government/other government entities [note 8]	47,015	30,801
Employee future benefits		
Accrued severance pay [note 17]	2,441	8,734
Accrued sick leave [note 18]	71,028	69,890
Accrued vacation pay	80,858	78,495
Deferred contributions [note 9]		
Deferred capital grants	49,522	56,865
Deferred operating revenue	40,625	17,647
Asset retirement obligation - long term capital [note 24]	1,400	—
Capital replacement reserve fund [note 12]	474	470
Long-term debt [note 10]	131,019	131,376
	<u>843,319</u>	<u>742,499</u>
<b>Net debt</b>	<u>(744,557)</u>	<u>(654,320)</u>
<b>Non-financial assets</b>		
Tangible capital assets, net [note 5]	397,002	381,059
Supplies inventory	37,423	38,107
Prepaid expenses	24,809	25,684
	<u>459,234</u>	<u>444,850</u>
<b>Accumulated deficit</b>	<u>(285,323)</u>	<u>(209,470)</u>

Contingencies [note 15]

Contractual obligations [note 16]

See accompanying notes

Approved by the Board:



Director



Director

# Eastern Regional Health Authority

## Consolidated statement of operations and accumulated deficit

[in thousands of Canadian dollars]

Year ended March 31

	Final Budget \$	2023 \$	2022 \$
	<i>Unaudited [note 21]</i>		
<b>Revenue</b>			
Provincial plan	1,512,847	1,512,846	1,472,346
Medical Care Plan	82,316	81,899	72,916
Other	58,431	60,106	50,843
Provincial capital grant <i>[note 9]</i>	—	37,070	34,905
Resident	15,907	17,110	17,370
Inpatient	11,853	12,518	10,085
Outpatient	10,050	10,296	7,835
Other capital contributions <i>[note 9]</i>	—	9,455	6,479
Cottages and Hostels operations	—	1,682	4,160
	<u>1,691,404</u>	<u>1,742,982</u>	<u>1,676,939</u>
<b>Expenses <i>[note 22]</i></b>			
Patient and resident services	431,805	450,190	427,223
Client services	383,647	383,439	379,237
Diagnostic and therapeutic	227,852	237,489	220,425
Support	218,915	232,027	209,832
Ambulatory care	213,829	210,187	188,085
Administration	102,845	120,744	147,219
Medical services	110,855	110,939	98,582
Amortization of tangible capital assets <i>[note 5]</i>	—	30,680	31,316
Research and education	20,278	20,361	16,152
Other	4,552	11,019	6,351
Interest on long-term debt	9,955	9,052	9,065
Employee future benefits			
Accrued severance pay recovery	—	(6,293)	(249)
Accrued sick leave expense	—	1,138	1,281
Accrued vacation pay expense	—	2,363	7,006
Cottages and Hostels operations	—	4,100	3,994
	<u>1,724,533</u>	<u>1,817,435</u>	<u>1,745,519</u>
<b>Annual deficit</b>	<b>(33,129)</b>	<b>(74,453)</b>	<b>(68,580)</b>
Accumulated deficit, beginning of year	—	(209,470)	(140,890)
Asset retirement obligation, prior year	—	(1,400)	—
<b>Accumulated deficit, end of year</b>	<b>—</b>	<b>(285,323)</b>	<b>(209,470)</b>

See accompanying notes



# Eastern Regional Health Authority

## Consolidated statement of changes in net debt

[in thousands of Canadian dollars]

Year ended March 31

	2023	2022
	\$	\$
<b>Annual deficit</b>	<b>(74,453)</b>	<b>(68,580)</b>
<b>Changes in tangible capital assets</b>		
Acquisition of tangible capital assets	(46,525)	(41,384)
Acquisition of tangible capital assets - long term debt	(140)	—
Disposal of tangible capital assets	42	113
Amortization of tangible capital assets	30,680	31,316
<b>Increase in net book value of tangible capital assets</b>	<b>(15,943)</b>	<b>(9,955)</b>
<b>Changes in other non-financial assets</b>		
Use of prepaid expenses	875	2,089
Use of supplies inventory	684	34,855
<b>Increase in other non-financial assets</b>	<b>1,559</b>	<b>36,944</b>
<b>Increase in net debt</b>	<b>(88,837)</b>	<b>(41,591)</b>
Net debt, beginning of year	(654,320)	(612,729)
Asset retirement obligation, prior year	(1,400)	—
<b>Net debt, end of year</b>	<b>(744,557)</b>	<b>(654,320)</b>

See accompanying notes

# Eastern Regional Health Authority

## Consolidated statement of cash flows

[in thousands of Canadian dollars]

Year ended March 31

	2023	2022
	\$	\$
<b>Operating transactions</b>		
Annual deficit	(74,453)	(68,580)
Adjustments for		
Amortization of tangible capital assets	30,680	31,316
Capital grants – provincial and other	(46,525)	(41,384)
Decrease in accrued severance pay	(6,293)	(249)
Increase in accrued sick leave	1,138	1,281
Net change in non-cash assets and liabilities related to operations [note 13]	45,382	10,561
<b>Cash used in operating transactions</b>	<b>(50,071)</b>	<b>(67,055)</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets - capital grants	(46,525)	(41,384)
Acquisition of tangible capital assets - long term debt	(140)	—
Disposal of tangible capital assets	42	113
Capital grants received [note 9]	39,182	45,316
<b>Cash (used in) provided by capital transactions</b>	<b>(7,441)</b>	<b>4,045</b>
<b>Investing transactions</b>		
Increase in sinking fund investment	(1,881)	(1,581)
<b>Cash used in investing transactions</b>	<b>(1,881)</b>	<b>(1,581)</b>
<b>Financing transactions</b>		
Acquisition of tangible capital assets - long-term debt	140	—
Repayment of long-term debt	(497)	(505)
Change in operating facility, net	74,096	67,373
<b>Cash provided by financing transactions</b>	<b>73,739</b>	<b>66,868</b>
<b>Net decrease in bank indebtedness/increase in cash</b>	<b>14,346</b>	<b>2,277</b>
Bank indebtedness, beginning of year	(10,702)	(12,979)
<b>Cash (bank indebtedness), end of year</b>	<b>3,644</b>	<b>(10,702)</b>
<b>Supplementary disclosure of cash flow information</b>		
Interest paid	9,045	9,057

See accompanying notes

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 1. Nature of operations

The Eastern Regional Health Authority ["Eastern Health" or the "Authority"] is responsible for the governance of health services in the Eastern Region [Avalon, Bonavista, and Burin Peninsulas, west to Port Blandford] of the Province of Newfoundland and Labrador [the "Province"].

The mandate of Eastern Health spans the full health continuum, including primary and secondary level health and community services for the Eastern Region as well as tertiary and other provincial programs/services for the entire Province. Eastern Health 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 initiatives. Services are both community and institutional based. In addition to the provision of comprehensive health care services, Eastern Health also provides education and research in partnership with all stakeholders.

Eastern Health is incorporated under the laws of the Province of Newfoundland and Labrador and is a registered charitable organization under the provisions of the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

#### 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 Eastern Health. These organizations are listed under basis of consolidation. Trusts administered by Eastern Health are not included in the consolidated statement of financial position [note 14].

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

##### Basis of consolidation

Eastern Health controls the General Hospital Hostel Association ["GHHA"], Northwest Rotary – Janeway Hostel Corporation, Lions Manor Inc., Trinity Conception Regional Housing Board ["TCRHB"], Blue Crest Cottages and Golden Heights Manor Cottages [together with Eastern Health, collectively referred to herein as "Eastern Health"]. These entities were established to provide accommodation for family members of patients and housing to senior citizens. 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.

## **Eastern Regional Health Authority**

### **Notes to consolidated financial statements**

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### **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 Eastern Health, 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 a 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.

Eastern Health is funded by the Department of Health and Community Services [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 Eastern Health for a particular fiscal year will not be determined until the Department has completed its review of Eastern Health's consolidated financial statements. Adjustments resulting from the Department's review and final position statement will be considered by Eastern Health and reflected in the period of assessment. There were no changes from the previous year.

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.

#### **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.

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### Tangible capital assets

Tangible capital assets are recorded at historical cost. Certain tangible capital assets, such as the Health Sciences Centre, Janeway Children's Health and Rehabilitation Centre, St. John's and Carbonear Long Term Care Facilities, are utilized by Eastern Health, and are not reflected in these consolidated financial statements as legal title is held by the Government of Newfoundland and Labrador [the "Government"]. The Government does not charge Eastern Health any amounts for the use of such assets. Certain additions and improvements made to such tangible capital assets are paid for by Eastern Health and are reflected in the consolidated financial statements of Eastern Health.

Amortization is calculated on a straight-line basis at the rates set out below.

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	10 years
Buildings and improvements	40 years
Equipment	5-7 years
Tangible capital assets – Rural Avalon	Declining balance

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.

#### Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to Eastern Health's 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.

#### Change in accounting policy

PS 3280 Asset Retirement Obligations:

On April 1, 2022, Eastern Health adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retroactive basis at the date of adoption.

On April 1, 2022, Eastern Health recognized an asset retirement obligation relating to several of its owned buildings that contain asbestos. The buildings were originally purchased prior to 1983, and the liability was measured as of the date of purchase of the buildings, when the liability was assumed. The buildings had an expected useful life of 40 years, and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, Eastern Health reflected the following adjustments at April 1, 2022:

- Asbestos obligation:

An increase of \$1,399,721 to the building tangible capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$1,399,721 to accumulated amortization, representing 40 years of increased amortization had the liability originally been recognized. A retirement obligation liability was also recognized for the same amount.

#### 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 Eastern Health are entitled to sick leave benefits that accumulate, but do not vest. Eastern Health 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 Public Service Pension Plan is a defined benefit plan and the Government Money Purchase Plan is a defined contribution plan. The Plans are considered multi-employer plans and are the responsibility of the Government. Contributions to the Plans are required from both the employees and Eastern Health. The annual contributions for pensions are recognized as an expense as incurred and amounted to \$58,989,323 for the year ended March 31, 2023 [2022 – \$57,742,186].

## **Eastern Regional Health Authority**

### **Notes to consolidated financial statements**

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### **Sinking fund investment**

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

#### **Contributed services**

Volunteers contribute a significant amount of their time each year assisting Eastern Health 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.

#### **Financial instruments**

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. Eastern Health 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, accounts payable and accrued liabilities, and due to/from government/other government entities are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

#### **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. Actual results could differ from these estimates.

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 3. Accounts receivable

	2023					
	Total \$	Current \$	Past due			
			1-30 days \$	31-60 days \$	61-90 days \$	Over 90 days \$
Services to patients, residents and clients	14,014	1,330	3,773	2,760	861	5,290
Other	7,870	4,689	—	—	—	3,181
Gross accounts receivable	21,884	6,019	3,773	2,760	861	8,471
Less impairment allowance	4,309	—	—	—	—	4,309
Net accounts receivable	17,575	6,019	3,773	2,760	861	4,162
	2022					
	Total \$	Current \$	Past due			
			1-30 days \$	31-60 days \$	61-90 days \$	Over 90 days \$
Services to patients, residents and clients	12,744	1,236	4,450	2,909	877	3,272
Other	13,089	9,709	—	—	—	3,380
Gross accounts receivable	25,833	10,945	4,450	2,909	877	6,652
Less impairment allowance	3,751	—	—	—	—	3,751
Net accounts receivable	22,082	10,945	4,450	2,909	877	2,901

#### 4. Due from government/other government entities

	2023 \$	2022 \$
Government of Newfoundland and Labrador	39,823	30,834
Other government entities	7,457	3,912
	<b>47,280</b>	<b>34,746</b>



## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended March 31, 2023 Eastern Health has not recorded any impairment of receivables relating to the above amounts [2022 – nil].

#### 5. Tangible capital assets

	Land and land improvements \$	Buildings and improvements \$	Equipment \$	Construction in progress \$	Total \$
<b>2023</b>					
<b>Cost</b>					
Opening balance	2,776	467,729	577,280	74,679	1,122,464
Additions	—	4,092	26,740	15,833	46,665
Disposals	—	—	(64)	—	(64)
Closing balance	2,776	471,821	603,956	90,512	1,169,065
<b>Accumulated amortization</b>					
Opening balance	142	232,689	508,574	—	741,405
Additions	—	10,109	20,571	—	30,680
Disposals	—	—	(22)	—	(22)
Closing balance	142	242,798	529,123	—	772,063
<b>Net book value</b>	<b>2,634</b>	<b>229,023</b>	<b>74,833</b>	<b>90,512</b>	<b>397,002</b>
	Land and land improvements \$	Buildings and improvements \$	Equipment \$	Construction in progress \$	Total \$
<b>2022</b>					
<b>Cost</b>					
Opening balance	2,846	442,940	570,834	71,461	1,088,081
Additions	—	23,981	14,185	3,218	41,384
Disposals	(70)	(592)	(7,739)	—	(8,401)
Closing balance	2,776	466,329	577,280	74,679	1,121,064
<b>Accumulated amortization</b>					
Opening balance	142	220,793	496,042	—	716,977
Additions	—	11,045	20,271	—	31,316
Disposals	—	(549)	(7,739)	—	(8,288)
Closing balance	142	231,289	508,574	—	740,005
<b>Net book value</b>	<b>2,634</b>	<b>235,040</b>	<b>68,706</b>	<b>74,679</b>	<b>381,059</b>

2023 opening balances of both cost and accumulated amortization for buildings and improvements have been restated by \$1,399,721 due to the modified retroactive approach under Section PS 3280, asset retirement obligation.

Included within the construction in progress is an Energy Performance Contract valued at \$28,878,626 [2022 - \$27,988,591]

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 6. Operating facility

Eastern Health has access to a line of credit totaling \$300,000,000 [2022 – \$225,000,000] in the form of revolving demand loans and/or overdrafts at its financial institutions. As at March 31, 2023, Eastern Health had used \$289,486,408 from its line of credit [2022 – \$215,390,430]. Eastern Health's ability to borrow has been approved by the Province's Minister of Health and Community Services.

#### 7. Accounts payable and accrued liabilities

	2023 \$	2022 \$
Accounts payable and accrued liabilities	77,408	74,717
Salaries and wages payable	43,979	40,540
Employee/employer remittances	8,064	6,872
	<u>129,451</u>	<u>122,129</u>

#### 8. Due to government/other government entities

	2023 \$	2022 \$
Federal government	14,347	1,991
Government of Newfoundland and Labrador	24,514	22,391
Other government entities	8,154	6,419
	<u>47,015</u>	<u>30,801</u>

#### 9. Deferred contributions

	2023 \$	2022 \$
<b>Deferred capital grants [a]</b>		
Balance as at beginning of year	56,865	52,933
Receipts during the year	39,182	45,316
Recognized in revenue during the year	(46,525)	(41,384)
Balance as at end of year	<u>49,522</u>	<u>56,865</u>
<b>Deferred operating revenue [b]</b>		
Balance as at beginning of year	17,647	16,881
Receipts during the year	1,605,723	1,535,330
Recognized in revenue during the year	(1,582,745)	(1,534,564)
Balance as at end of year	<u>40,625</u>	<u>17,647</u>

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

- [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 a liability. These transfers will be recognized as revenue in the period in which the resources are used for the purpose specified.

#### 10. Long-term debt

	2023 \$	2022 \$
Sinking fund debenture, Series HCCI, 6.90%, to mature on June 15, 2040, interest payable semi-annually on June 15 and December 15 [the "Debenture"]	130,000	130,000
NLHC [TCRHB], 2.27% first mortgage on land and building, with a net book value of \$109,223 maturing in December 2027, repayable in blended monthly instalments of \$2,031	110	131
NLHC [Lions Manor], 2.02% first mortgage on land and building phase one, with a net book value of \$188,206, maturing in October 2023, repayable in blended monthly instalments of \$6,059	42	113
NLHC [Lions Manor], 2.27% first mortgage on land and building phase two, with a net book value of \$188,206, maturing in December 2026, repayable in blended monthly instalments of \$2,965	131	164
Canada Mortgage and Housing Corporation ["CMHC"] [Blue Crest Seniors Home], 8.0% mortgage, maturing in December 2025, repayable in blended monthly instalments of \$7,777, secured by land and building with a net value of \$2,130,496.	227	299
CMHC [Golden Heights Manor Seniors Home], 10.5% mortgage, maturing in September 2027, repayable in blended monthly instalments of \$7,549, secured by land and building with net book value of \$9,590,281.	326	380
CMHC [Golden Heights Manor Seniors Home], 1.12% mortgage, maturing in June 2023, repayable in blended monthly instalments of \$19,480, secured by land and building with a net value of \$9,590,281.	58	289
Royal Bank of Canada, 6.99% interest rate, maturing August 2027, repayable in blended monthly payments of \$597	27	—
Royal Bank of Canada, 6.99% interest rate, maturing August 2027, repayable in blended monthly payments of \$597	27	—
Royal Bank of Canada, 4.63% interest rate, maturing September 2027, repayable in blended monthly payments of \$1,490	71	—
	<b>131,019</b>	<b>131,376</b>

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.

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

Future principal repayments to maturity are as follows:

	\$
2024	319
2025	234
2026	224
2027	160
2028	82
Thereafter	130,000
	<u>131,019</u>

#### 11. Sinking fund investment

A sinking fund investment, established for the partial retirement of the Debenture [note 10], is held in trust by the Government. The balance as at March 31, 2023 includes interest earned in the amount of \$13,005,204 [2022 – \$11,872,022]. The annual principal payment to the sinking fund investment until the maturity of the Debenture on June 15, 2040, is \$747,500.

#### 12. Capital replacement reserve fund

Effective June 2, 1997, NLHC assumed responsibility for agreements previously administered by CMHC.

With respect to the NLHC mortgages disclosed in note 10, Eastern Health has entered into an agreement for mortgage interest subsidization with NLHC. Under the agreement, Eastern Health is also required to fund \$18,200 annually for capital replacement with the funds, including accrued interest, to be deposited in either Government of Canada Bonds or a separate savings account.

#### 13. Consolidated statement of cash flows

	2023 \$	2022 \$
Accounts receivable	4,507	(2,341)
Supplies inventory	684	34,855
Prepaid expenses	875	2,089
Due from other entities	2,973	(6,505)
Accounts payable and accrued liabilities	7,322	(24,981)
Accrued vacation pay	2,363	7,006
Deferred operating revenue	22,978	766
Due from/to government/other government entities	3,680	(328)
	<u>45,382</u>	<u>10,561</u>

#### 14. Trust funds

Trusts administered by Eastern Health have not been included in the consolidated financial statements as they are excluded from the Government reporting entity. As at March 31, 2023, the balance of funds held in trust for

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

residents of long-term care facilities was \$2,856,713 [2022 – \$2,587,174]. These trust funds include a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

#### 15. Contingencies

A number of legal claims have been filed against Eastern Health. 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. In the view of management, Eastern Health's insurance program adequately addresses the risk of loss in these matters.

#### 16. Contractual obligations

Eastern Health 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. The table below relates to the future portion of the contracts:

	2024	2025	2026	2027	Thereafter
	\$	\$	\$	\$	\$
Future operating lease payments	11,407	5,492	5,358	5,358	26,184
Managed print services	2,583	2,583	2,583	2,583	2,583
Vehicles	221	180	100	43	15
	14,211	8,255	8,041	7,984	28,782

#### 17. Accrued severance pay

Eastern Health provides a severance payment to employees upon retirement, resignation, or termination without cause. In 2023, cash payments to retirees and eligible employees for Eastern Health's unfunded employee future benefits amounted to \$4,059,159 [2022 – \$824,568].

As of the end of fiscal 2020 only salaried physicians had severance benefits that had not been curtailed and settled. On May 3, 2022, the Newfoundland and Labrador Medical Association and Government of Newfoundland and Labrador signed a new contract that resulted in the curtailment and settlement of the severance benefits for salaried physicians. Salaried physicians with one or more years of service received a payout of their severance benefits based on their service and salary as at June 30, 2019. Payouts were expected to be made between July 1, 2022, and March 31, 2023. All salaried physicians had the option to defer payment but will not accrue any further severance benefits. At March 31, 2023, the value of the deferred severance payments for salaried physicians who selected to defer payment is \$1,095,800.

Eastern Health had previously provided severance payments to other eligible employees. Due to changes in the collective agreements of the various unions in 2019, severance benefits accrued as of March 31, 2018, were paid out to eligible employees on or before March 31, 2020. All employees had the option to defer payment but

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

will not accrue any further severance benefits. At March 31, 2023, the value of the deferred severance payments for employees who selected to defer payment is \$1,346,031.

#### 18. Accrued sick leave

Eastern Health provides sick leave to employees as the obligation arises and accrues a liability based on anticipation of sick days accumulating for future use. In 2023, cash payments to employees for Eastern Health's unfunded sick leave benefits amounted to \$8,469,153 [2022 – \$8,242,484].

The most recent actuarial valuation for the accrued sick leave obligation was performed effective March 31, 2021. The accrued benefit liability and benefit expense of the sick leave are outlined below:

	2023 \$	2022 \$
<b>Accrued benefit liability, beginning of year</b>	<b>69,890</b>	<b>68,609</b>
Benefits expense		
Current period benefit cost	5,813	5,839
Interest on accrued benefit obligation	2,523	2,266
Amortization of actuarial losses and gains	1,271	1,419
	<b>79,497</b>	<b>78,133</b>
Benefits paid	(8,469)	(8,243)
<b>Accrued benefit liability, end of year</b>	<b>71,028</b>	<b>69,890</b>
Current period benefit cost	5,813	5,839
Interest on accrued benefit obligation	2,523	2,266
Amortization of actuarial losses and gains	1,271	1,419
<b>Total expense recognized for the year</b>	<b>9,607</b>	<b>9,524</b>

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

Discount rate – liability	4.47% as at March 31, 2023
	3.57% as at March 31, 2022
Discount rate – benefit expense	4.47% in fiscal 2023
	3.57% in fiscal 2022
Rate of compensation increase	2.75% includes 0.75% for promotions and merit as at March 31, 2023 for NAPE, Management, and Non-Union employees and 3.50% includes 0.75% for promotions and merit at March 31, 2023 for all other employees.
	3.50% includes 0.75% for promotions and merit as at March 31, 2022

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 19. Related party transactions

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

Transfers from the Government are funding payments made to Eastern Health for both operating and capital expenditures. Transfers from other related government entities are payments made to Eastern Health from the MCP and WorkplaceNL. Transfers to other related government entities are payments made by Eastern Health to long-term care facilities, Central Regional Health Authority, Labrador Regional Health Authority and Western Regional Health Authority. Transactions are settled at prevailing market prices under normal trade terms. Eastern Health had the following transactions with the Government and other government entities:

	2023 \$	2022 \$
Transfers from the Government of Newfoundland and Labrador	1,548,634	1,512,752
Transfers from other government entities	102,248	87,383
Transfers to other government entities	(102,260)	(94,789)
	<u>1,548,622</u>	<u>1,505,346</u>

#### 20. Financial instruments and risk management

##### Risks and uncertainties

Eastern Health 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 and liquidity risk. Eastern Health's Board of Trustees has overall responsibility for the oversight of these risks and reviews Eastern Health's policies on an ongoing basis to ensure that these risks are appropriately managed. Eastern Health 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. Eastern Health's credit risk is primarily attributable to accounts receivable. Eastern Health has a collection policy and monitoring processes intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

##### *Liquidity risk*

Liquidity risk is the risk that Eastern Health will not be able to meet its financial obligations as they become due. In fiscal 2023, Eastern Health had an authorized credit facility [the "Facility"] of \$300,000,000 [2022 – \$225,000,000]. As at March 31, 2023, Eastern Health had \$10,513,592 in funds available on the Facility [2022 – \$9,609,570]. To the extent that Eastern Health 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.

## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 21. Final Budget

Eastern Health 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 Eastern Health. 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 included in the consolidated financial statements are not audited.

In addition to the impact of such service and program changes, the Original Budget and Budget prepared by Eastern Health do not include a budget for the operations of the cottages and hostels, as such amounts are not considered by Eastern Health to significantly impact decisions or the allocation of resources. Further, the Original Budget and 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. Eastern Health also does not prepare a full budget in respect of changes in net debt as Eastern Health 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, 2023:

	Revenue	Expenses	Annual deficit
	\$	\$	\$
Original Budget	1,591,446	1,624,575	(33,129)
Adjustments during the year for service and program changes, net	99,958	99,958	—
Revised Original Budget	1,691,404	1,724,533	(33,129)
Final Budget	1,691,404	1,724,533	(33,129)



## Eastern Regional Health Authority

### Notes to consolidated financial statements

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### 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 Eastern Health during the year.

	2023	2022
	\$	\$
Salaries	879,705	814,087
Supplies – other	331,476	340,388
Direct client costs	232,272	229,775
Employee benefits	150,342	152,382
Supplies – medical and surgical	73,110	71,213
Drugs	75,580	68,480
Amortization of tangible capital assets	30,680	31,316
Maintenance	31,118	24,819
Interest on long-term debt	9,052	9,065
Cottages and hostels operations	4,100	3,994
<b>Total expenses</b>	<b>1,817,435</b>	<b>1,745,519</b>

#### 23. Supplies inventory

	2023	2022
	\$	\$
Supplies inventories	21,906	22,431
Pandemic inventories	15,517	15,676
	<b>37,423</b>	<b>38,107</b>

#### 24. Asset retirement obligation

Asbestos obligation:

Eastern Health 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*, Eastern Health recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at April 1, 2022. 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 Eastern Health equipment disposal is handled by vendors as per contract.

## **Eastern Regional Health Authority**

### **Notes to consolidated financial statements**

[Tabular amounts are in thousands of Canadian dollars]

March 31, 2023

#### **25. Subsequent event**

Effective April 1, 2023, the Provincial Health Authority was established through the Provincial Health Authority Act (RSNL2022 Chapter P-30.1). All title to property and assets as well as interests to real property and obligations and liabilities of the former regional health authorities (Eastern Health, Central Health, Western Health, Labrador-Grenfell Health) and Newfoundland and Labrador Centre for Health Information were transferred to the Provincial Health Authority trading as Newfoundland and Labrador Health Services. This was a recommendation of the Health Accord NL to ensure consistent and quality health care delivery across Newfoundland and Labrador.