

Labrador-Grenfell Regional Health Authority

**Consolidated financial statements
March 31, 2023**

Labrador-Grenfell Regional Health Authority

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March 31, 2023

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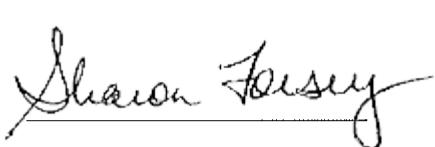
Statement of management's responsibility

The accompanying consolidated financial statements of the Labrador-Grenfell Regional Health Authority [the "Authority"] as at and for the year ended March 31, 2023 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 the notes to the consolidated financial statements.

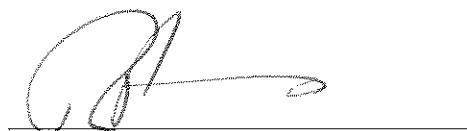
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management developed and maintains systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, proper records are maintained, assets are safeguarded, and the Authority complies with applicable laws and regulations.

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 Audit Committee [the "Committee"]. The Committee meets with management and the external auditors 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 auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements.

The external auditors, BDO Canada LLP conducted an independent examination in accordance with Canadian generally accepted auditing standards and expressed an opinion on the consolidated financial statements for the year ended March 31, 2023.



Sharon Forsey
Chair – Finance Committee



Robert Andrews
Chair – Board of Trustees



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Independent Auditor's Report

To the Board of Trustees of
Labrador-Grenfell Regional Health Authority

Opinion

We have audited the accompanying consolidated financial statements of the Labrador-Grenfell Regional Health Authority (the "Authority"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Authority as at March 31, 2023, and its results of consolidated operations, its consolidated changes in net debt, and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3 of the financial statements which describes the Authority's ability to continue as a going concern as a result of the amalgamation of the Authority into Newfoundland and Labrador Health Services by the Government of Newfoundland and Labrador subsequent to year end. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 the 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 liquidate



the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, the future events or conditions may cause the Authority to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
St. John's, Newfoundland and Labrador
July 20, 2023

Labrador-Grenfell Regional Health Authority

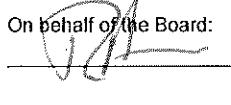
Consolidated statement of financial position

As at March 31

	2022	2023 <i>[restated - see note 23]</i>
	\$	\$
Financial assets		
Cash	1,698,844	2,897,400
Restricted cash <i>[note 4]</i>	2,491,557	2,202,413
Accounts receivable <i>[note 5]</i>	5,286,776	5,390,797
Due from Government/other government entities <i>[note 6]</i>	8,754,774	9,586,930
Inventories for resale	1,579,163	1,464,217
	19,811,114	21,541,757
Liabilities		
Bank overdraft <i>[note 8]</i>	6,336,814	5,672,939
Demand credit facility <i>[note 8]</i>	21,780,000	16,450,000
Accounts payable and accrued liabilities <i>[note 9]</i>	14,181,442	14,770,529
Asset retirement obligation <i>[note 10]</i>	1,243,811	1,243,811
Due to Government/other government entities <i>[note 11]</i>	655,563	911,114
Employee future benefits		
Accrued severance pay <i>[note 12]</i>	512,947	1,712,389
Accrued sick leave <i>[note 12]</i>	9,301,517	9,124,921
Accrued vacation pay and other accrued benefits	8,777,589	8,858,419
Deferred contributions <i>[note 13]</i>		
Deferred capital grants	16,379,185	19,515,473
Deferred operating contributions	7,149,796	5,433,015
Special purpose funds	1,349,948	1,074,475
National Child Benefit ("NCB") initiatives	36,283	35,283
Long-term debt <i>[note 14]</i>	130,888	179,913
	87,834,783	84,982,281
Net debt	(68,023,669)	(63,440,524)
Non-financial assets		
Tangible capital assets, net <i>[note 7]</i>	52,804,493	47,617,629
Prepaid expenses	1,164,661	843,235
Supplies inventory	1,336,714	1,675,067
	55,305,868	50,135,931
Accumulated surplus (deficit)	(12,717,801)	(13,304,593)
Contractual obligations <i>[note 15]</i>		
Contingencies <i>[note 16]</i>		
Subsequent events <i>[note 22]</i>		

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

 Trustee  Trustee

Labrador-Grenfell Regional Health Authority

**Consolidated statement of operations and
accumulated surplus**

Year ended March 31

	Budget	2023	2022 [restated - see note 23]
	\$	\$	\$
<i>Revenue</i>			
Provincial plan – operating	157,393,568	170,704,373	166,899,001
Medical care plan	25,406,259	19,046,008	18,731,942
Provincial capital grant	—	9,581,965	3,759,033
Other capital contributions	—	107,429	178,048
Outpatient	1,836,900	1,710,174	1,445,874
Inpatient	520,300	879,780	403,460
Long-term care	2,216,000	2,097,395	2,120,678
Transportation and works	1,285,500	1,285,500	1,285,500
Apartment complexes	—	152,605	129,055
Foundation	—	186,703	125,900
Other	12,456,995	7,537,173	7,077,157
	201,115,522	213,289,105	202,155,648
<i>Expenses [note 18]</i>			
Support services	40,537,043	48,461,903	43,862,142
Community and social services	35,578,959	33,453,931	33,614,316
Nursing inpatient services	32,190,491	34,451,660	31,610,053
Medical services	28,578,026	24,920,526	22,882,265
Ambulatory care services	25,597,330	30,223,513	26,616,808
Diagnostic and therapeutic services	20,777,211	21,592,100	21,391,330
Administration	11,085,215	15,239,922	19,725,976
Amortization of tangible capital assets [note 6]	5,000,000	4,569,609	4,738,981
Education and research	973,528	788,100	1,361,538
Accrued severance pay	100,000	(1,199,442)	(257,773)
Accrued vacation pay	513,206	(80,829)	1,183,489
Accrued sick leave	500,000	176,596	189,964
Apartment complexes	300,000	103,580	80,909
Foundation	—	1,144	23,278
	201,731,009	212,702,313	207,023,276
Annual surplus (deficit)	(615,487)	586,792	(4,867,628)
Accumulated deficit, beginning of year		(13,304,593)	(8,436,965)
Accumulated surplus (deficit), end of year	(615,487)	(12,717,801)	(13,304,593)

See accompanying notes to the consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Consolidated statement of changes in net debt

Year ended March 31

	2022	2023 <i>[restated - see note 23]</i>
	\$	\$
Annual deficit	586,792	(4,867,628)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(9,756,473)	(5,388,473)
Amortization of tangible capital assets	<u>4,569,609</u>	<u>4,738,981</u>
Decrease in net book value of tangible capital assets	(5,186,864)	(649,492)
Changes in other non-financial assets		
Net decrease (increase) in prepaid expenses	(321,426)	581,605
Net decrease (increase) in supplies inventory	<u>338,353</u>	<u>221,701</u>
Decrease (increase) in other non-financial assets	16,927	803,306
Change in net debt	(4,583,145)	(4,713,814)
Net debt, beginning of year	<u>(63,440,524)</u>	<u>(58,726,710)</u>
Net debt, end of year	(68,023,669)	(63,440,524)

See accompanying notes to the consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Consolidated statement of cash flows

Year ended March 31

	2022	2023 [restated - see note 23]
	\$	\$
Operating activities		
Annual deficit	586,792	(4,867,628)
Adjustments for non-cash items		
Amortization of tangible capital assets	4,569,609	4,738,981
Decrease in accrued severance pay	(1,199,442)	(331,773)
Increase in accrued sick leave	176,596	189,964
Net change in non-cash assets and liabilities related to operations [note 17]	1,904,944	-6,842,916
Cash provided by (used in) operating activities	<u>6,038,499</u>	<u>(7,113,372)</u>
Capital activities		
Acquisition of tangible capital assets	(9,756,473)	(4,144,662)
Capital asset contributions, net	(3,136,288)	5,882,826
Cash (used in) provided by capital activities	<u>(12,892,761)</u>	<u>1,738,164</u>
Investing activities		
Changes to restricted cash	(289,144)	(192,949)
Cash used in investing activities	<u>(289,144)</u>	<u>(192,949)</u>
Financing activities		
Advances from (repayment of) demand credit facility	5,330,000	2,035,000
Repayment of long-term debt	(49,025)	(48,146)
Cash provided by financing activities	<u>5,280,975</u>	<u>1,986,854</u>
Increase in cash during the year	(1,862,431)	(3,581,303)
Bank indebtedness, beginning of year	(2,775,539)	805,764
Cash (bank indebtedness), end of year	(4,637,970)	(2,775,539)
 Cash (bank indebtedness) comprised of:		
Cash	1,698,844	2,897,400
Bank overdraft	(6,336,814)	(5,672,939)
Cash (bank indebtedness)	(4,637,970)	(2,775,539)

See accompanying notes to the consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

1. Nature of operations

The Labrador-Grenfell Regional Health Authority ("Labrador-Grenfell Health" or the "Authority") manages and operates all health facilities, services and programs on the Northern Peninsula and all of Labrador in the Province of Newfoundland and Labrador. The Authority manages and controls the operations of the following facilities:

- Labrador Health Centre, Happy Valley-Goose Bay
- Long-Term Care Facility, Happy Valley-Goose Bay
- Labrador West Health Centre, Labrador City
- Charles S. Curtis Memorial Hospital, St. Anthony
- John M. Gray Centre, St. Anthony
- The St. Anthony Interfaith Home 12 Unit Apartment Complex
- The St. Anthony Interfaith Home 20 Unit Apartment Complex
- Grenfell Foundation Incorporated

Labrador-Grenfell Health also manages and controls the operations of all community clinics, health centers, facilities programs and other services in the geographic area. The Authority 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. In addition to the provision of comprehensive health care services, Labrador-Grenfell Health also provides education and research in partnership with all stakeholders.

The operations of the Authority are primarily funded by the Government of Newfoundland and Labrador [the "Government"].

Labrador-Grenfell Health is incorporated under the *Regional Health Authorities Act* 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 the Authority. These organizations are listed under basis of consolidation. Trusts administered by the Authority are not included in the consolidated statement of financial position [note 19].

The Authority has also prepared separate non-consolidated financial statements for the operations of the operating fund of Labrador-Grenfell Health.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

Basis of consolidation

The Authority controls The St. Anthony Interfaith Home 12 Unit Apartment Complex [the "12-unit"], The St. Anthony Interfaith Home 20 Unit Apartment Complex [the "20-unit"], and the Grenfell Foundation Incorporated [the "Foundation"]. The consolidated financial statements of the Authority include the Labrador-Grenfell Health Regional Health Authority – Operating Fund, the 12-unit, the 20-unit and the Foundation [collectively referred to herein as "Labrador-Grenfell Health" or the "Authority"]. All inter-entity assets and liabilities and revenue and expenses have been eliminated.

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 health care services, may be consumed in normal operations and are not for resale.

Cash, bank overdraft and restricted cash

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and bank overdraft, respectively. Cash also includes cash on hand.

Restricted cash relates to amounts held for special purpose funds and endowment funds [note 4].

Supplies inventory

Supplies inventory includes pharmaceuticals and is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Employee future benefits

Accrued severance pay

Employees of the Authority are entitled to severance pay benefits as stipulated in their conditions of employment. The right to be paid severance pay vests for employees with nine years of continuous service with the Authority or another Newfoundland and Labrador Government employer. Severance pay is payable when the employee ceases employment with the Authority or the public sector employer, upon retirement, resignation or termination without cause. In accordance with PSAS for post-employment benefits and compensated absences, the Authority recognizes the liability in the period in which the employee renders services. 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. Some physicians have elected to defer the payouts for a future date. Due to only a small number of remaining severance settlements to be paid, accrued severance pay has not been actuarially determined at March 31, 2023.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

Accrued sick leave

Employees of the Authority are entitled to sick leave benefits that accumulate, but do not vest. In accordance with PSAS for post-employment benefits and compensated absences, the Authority 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 Government'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. Adjustments to the liability arising from plan amendments are recognized immediately.

Accrued vacation pay and other accrued benefits

Vacation pay and other accrued benefits are accrued for all employees as entitlement is earned.

Pension costs

The employees of the Authority are included in the Public Service Pension Plan ("PSPP"), a multi-employer defined benefit plan, and the Government Money Purchase Plan administered by the Government [collectively the "Plans"]. The Government also provides for the continuation of certain dental and medical benefits for retirees. The Government determines the required plan contributions annually. Contributions to the Plans are required from both the employees and Labrador-Grenfell Health. The annual contributions are recognized as an expense as incurred and amounted to \$6,165,794 for the year ended March 31, 2023 [2022 – \$6,261,737].

The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Authority is only one of a number of employers that participates in the plan and the financial information provided to the Authority on the basis of the contractual agreements is usually insufficient to reliably measure the organization's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

The costs of insured benefits reflected in these consolidated financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

Tangible capital assets

The Authority utilizes certain land, buildings and equipment, with the title resting with the Government and, consequently, these assets are not recorded as tangible capital assets. The Government does not charge the Authority any amounts for the use of such assets. Certain additions and improvements made to such tangible capital assets are paid for by the Authority and are reflected in the consolidated financial statements of the Authority.

Tangible capital assets are recorded at historical cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less estimated salvage value of the tangible capital assets, excluding land, is amortized on a declining balance basis over their estimated useful lives, as follows:

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

Buildings	5%
Leasehold improvements	5%
Equipment and vehicles	20%
Land improvements	20%

Contributed capital assets represent assets that are donated or contributed to the Authority by third parties. Revenue is recognized in the year the assets are contributed and have been recognized at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case the assets are then recognized at a nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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

Works of art, historical treasures, intangible assets and items inherited by right of the Crown, such as artwork displayed in the facilities, are not recognized in these consolidated financial statements.

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.

Asset retirement obligations

A liability for an asset retirement obligation related to retirement and removal costs such as asbestos is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This obligation is subsequently reviewed each fiscal year end adjusted for the passage of time along with any revisions to the timing, amount required to settle the obligation or the discount rate. Upon initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related long-lived asset. This cost is amortized on the same basis as the related asset. The asset retirement obligations estimates have not been discounted due to the uncertainty in the timing of settlement of these obligations.

Impairment of long-lived assets

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

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

Supplies inventory

Supplies inventory includes medical, surgical, general supplies, fuel oil and pharmaceuticals.

Medical surgical and general supplies are valued at the lower of cost, determined on an average cost basis, and net realizable value. These include a modest inventory of vaccines, including Covid-19 vaccines, received at zero cost to the Authority.

Fuel oil and pharmaceuticals are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Revenue

Provincial plan revenue without eligibility criteria and stipulations restricting their use are 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 the Authority, 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 long-term care revenue is recognized in the period services are provided.

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

Apartment complex revenue includes rental revenue, subsidies and other Government assistance related to operations from the 12-Unit and 20-Unit and is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Foundation revenue includes grants and donations. Grants, bequests and other donations are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims.

Other revenue includes, but is not limited to, drug revenue, rental revenue from accommodations, dental revenue and salary recoveries from Workplace, Health and Safety and Compensation Commission of Newfoundland and Labrador ["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 when goods are consumed, or services received.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

Contributed services

Volunteers contribute a significant amount of their time each year assisting the Authority 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, asset retirement obligations, and the useful life of tangible capital assets. Actual results could differ from these estimates.

3. Going concern

Subsequent to year-end, on April 1, 2023, the Authority was amalgamated with the other Regional Health Authorities to form Newfoundland and Labrador Health Services and continues to carry out its operations and fulfill its mandate as part of core government.

These financial statements are prepared on a going concern basis in accordance with Canada Public Accounting Standards, which assumes that Newfoundland and Labrador Health Services will continue operations of the Authority, realize on its assets, and discharge its liabilities in the normal course of operations. If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary to the carrying value of the assets and liabilities.

4. Restricted cash

Restricted cash is as follows:

	2023	2022
	\$	\$
Deferred contributions – special purpose funds (note 11)	1,643,268	1,353,854
Endowment fund	781,253	781,523
Restricted cash held by Newfoundland and Labrador Housing Corporation for replacement reserve	67,036	67,036
	<hr/> <u>2,491,557</u>	<hr/> <u>2,202,413</u>

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

5. Accounts receivable

Accounts receivable are as follows:

	2023					
	Total \$	Current \$	Past due			
			1 – 30 days \$	31 – 60 days \$	61 – 90 days \$	Over 90 days \$
Patient receivable	7,023,150	2,681,488	-	114,927	135,378	4,091,357
Other receivable	387,881	387,881	-	-	-	-
Gross receivables	7,411,031	3,069,369	-	114,927	135,378	4,091,357
Less impairment allowance	2,124,255	2,124,255	-	-	-	-
Net accounts receivable	5,286,776	945,114	-	114,927	135,378	4,091,357

	2022					
	Total \$	Current \$	Past due			
			1 – 30 days \$	31 – 60 days \$	61 – 90 days \$	Over 90 days \$
Patient receivable	6,805,922	2,799,576	6,955	102,013	64,091	3,833,286
Other receivable	468,812	468,812	-	-	-	-
Gross receivables	7,274,734	3,268,388	6,955	102,013	64,091	3,833,286
Less impairment allowance	1,883,937	1,883,937	-	-	-	-
Net accounts receivable	5,390,797	1,384,451	6,955	102,013	64,091	3,833,286

6. Due from Government/other Government entities

The amounts due from Government/other Government entities are as follows:

	2023 \$	2022 \$
The Government	7,447,305	8,501,942
Department of Children, Seniors and Social Development	90,285	90,285
Harmonized sales tax recoverable	1,217,184	994,703
	8,754,774	9,586,930

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. For the year ended March 31, 2023, the Authority has not recorded any impairment of receivables from the Government [2022 – nil].

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

7. Tangible capital assets

Tangible capital assets consist of the following:

	Land \$	Land improvements \$	Construction in progress \$	Buildings \$	Leasehold improvements \$	Equipment and vehicles \$	Total \$
2023							
Cost							
Opening balance	36,203	216,064	2,910,711	38,526,033	24,944,295	102,291,054	168,924,360
Additions	-	-	6,644,185	-	-	3,112,288	9,756,473
Disposals	-	-	-	-	-	-	-
Transfers	-	-	(490,883)	-	490,883	-	-
Closing balance	36,203	216,064	9,064,013	38,526,033	25,435,178	105,403,342	178,680,833

	Land \$	Land improvements \$	Construction in progress \$	Buildings \$	Leasehold improvements \$	Equipment and vehicles \$	Total \$
Accumulated amortization							
Opening balance	-	189,923	-	25,843,642	6,145,619	89,127,547	121,306,731
Disposals	-	-	-	-	-	-	-
Amortization	-	658	-	672,491	952,281	2,944,179	4,569,609
Closing balance	-	190,581	-	26,516,133	7,097,900	92,071,726	125,876,340
Net book value	36,203	25,483	9,064,013	12,009,900	18,338,788	13,331,616	52,804,493

	Land \$	Land improvements \$	Construction in progress \$	Buildings \$	Leasehold improvements \$	Equipment and vehicles \$	Total \$
2022							
Cost							
Opening balance	36,203	216,064	977,542	38,440,020	24,729,214	100,380,655	164,779,698
Additions	-	-	2,148,250	86,013	-	1,910,399	4,144,662
Disposals	-	-	-	-	-	-	-
Transfers	-	-	(215,081)	-	215,081	-	-
Closing balance	36,203	216,064	2,910,711	38,526,033	24,944,295	102,291,054	168,924,360
Accumulated amortization							
Opening balance	-	189,099	-	25,140,123	5,161,796	86,076,732	116,567,750
Disposals	-	-	-	-	-	-	-
Amortization	-	824	-	703,519	983,823	3,050,815	4,738,981
Closing balance	-	189,923	-	25,843,642	6,145,619	89,127,547	121,306,731
Net book value	36,203	26,141	2,910,711	12,682,391	18,798,676	13,163,507	47,617,629

An asset retirement obligation has been recognized on buildings in the amount of \$1,243,811. This amount is fully amortized as at March 31, 2023. See Note 10.

The Authority has works of art displayed in its facilities valued at \$195,714 that are not recognized in these consolidated financial statements as these assets are the legal property of the Government.

Labrador-Grenfell Regional Health Authority

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March 31, 2023

8. Bank overdraft and demand credit facility

Bank overdraft represents bank accounts for which outstanding cheques exceeds bank cash balances. The Authority was in a bank overdraft position of \$6,336,814 at March 31, 2023 [2022 – \$5,672,939].

The Authority has a demand credit facility [the “Facility”] with a Canadian chartered bank for a maximum amount of \$30,000,000, bearing interest at the bank’s prime rate less 1.00%. The relevant prime rate was 6.70% as at March 31, 2023 [2022 – 2.70%]. As at March 31, 2022, the Authority has drawn \$21,780,000 in funds from the Facility [2022 – \$16,450,000]. The effective interest rate for the year ended March 31, 2023 was 5.70% [2022 – 1.70%].

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	2023	2022
	\$	\$
Accounts payable and accrued liabilities	8,181,209	9,001,125
Salaries and wages payable	6,000,233	5,769,404
	<u>14,181,442</u>	<u>14,770,529</u>

10. Asset retirement obligation

A liability is recognized for future retirement obligations associated with the Authority’s retirement and removal costs such as asbestos. The obligation is calculated using the current costs to retire the assets inflated to the estimated retirement date. Future retirement expenditures will be charged against the accumulated liability as incurred.

At March 31, 2023, the estimated total amount required to settle the asset retirement obligation is \$1,243,811. The related assets are fully amortized as at year end. As such, no discount rate has been applied to account for the time value of money as at March 31, 2023.

11. Due to Government/other Government entities

The amounts due to Government/other Government entities are as follows:

	2023	2022
	\$	\$
Government remittances	581,521	844,624
Due to other Government	74,042	66,490
	<u>655,563</u>	<u>911,114</u>

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

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12. Employee future benefits

Based on contracts signed with the Newfoundland and Labrador Medical Association (NLMA) as at May 3, 2022, physicians with at least one year of eligible service will receive a lump sum payout of their accrued Severance benefit based on pay and service as at June 30, 2019.

The elimination of future service accrual triggers a curtailment under PS 3255 and the immediate payment of the accrued benefits triggers a settlement under PS 3255. Both events are assumed to occur simultaneously with recognition in Fiscal 2023, therefore combining them has no impact on the costs recognized.

Physicians who were eligible for lump sum payments during this fiscal year had an option to leave the amounts owing within the Authority at the value of June 30, 2019.

Other employees who were eligible for lump sum payments during this and the previous fiscal year had an option to leave the amounts owing within the Authority at the value of March 31, 2019.

The Authority also provides its employees with sick leave benefits that accumulate, but do not vest, as follows:

	Accumulated rate	Maximum accumulation	Maximum utilization per 20-year period
NLNU hired up to December 1, 2006	15 hours per 162.5 hours	1,800 hours	N/A
NLNU hired after December 1, 2006	7.5 hours per 162.5 hours	1,800 hours	1,800 hours
CUPE/NAPE hired up to May 4, 2004	2 days per month	N/A	480 days
CUPE/NAPE hired after May 4, 2004	1 day per month	N/A	240 days
CUPE/NAPE hired up to May 4, 2004 – 12-hour shifts	15 hours per 162.5 hours	N/A	3,600 hours
CUPE/NAPE hired after May 4, 2004 – 12-hour shifts	7.5 hours per 162.5 hours	N/A	1,800 hours

In addition, while management employees do not accrue additional sick leave days, they may use accrued sick leave banked after first using two days of paid leave.

The accrued benefit obligations for post-employment benefit plans as at March 31, 2023 are based on an actuarial valuation for accounting purposes as at March 31, 2022, and an extrapolation of that valuation has been performed to March 31, 2023.

The actuarial valuation is based on assumptions about future events. Significant actuarial assumptions used in measuring the accrued severance and accrued sick leave liabilities 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	0.75% for promotions and merit as at March 31, 2023 0.75% for promotions and merit as at March 31, 2022

Labrador-Grenfell Regional Health Authority

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March 31, 2023

12. Employee future benefits (continued)

[a] Severance pay and sick leave liabilities

Accrued benefit liability, beginning of year
 Employee future benefit expenses
 Less benefits paid
 Accrued benefit liability, end of year
 Remaining accrued liability, March 31, 2023
 Total accrued benefit liability, end of year
 Unamortized actuarial (gains)/losses
 Accrued benefit obligation, end of year

	Severance	Sick leave	2023
	\$	\$	\$
Accrued benefit liability, beginning of year	1,298,766	8,267,477	9,566,243
Employee future benefit expenses	-	1,200,264	1,200,264
Less benefits paid	(1,298,766)	(166,224)	(1,464,990)
Accrued benefit liability, end of year	-	9,301,517	9,301,517
Remaining accrued liability, March 31, 2023	512,947	-	-
Total accrued benefit liability, end of year	512,947	9,301,517	9,814,464
Unamortized actuarial (gains)/losses	-	(1,390,547)	(1,390,547)
Accrued benefit obligation, end of year	512,947	7,910,970	8,423,917

Accrued benefit liability, beginning of year
 Employee future benefit expenses
 Less benefits paid
 Accrued benefit liability, end of year
 Remaining accrued liability, March 31, 2022
 Total accrued benefit liability, end of year
 Unamortized actuarial (gains)/losses
 Accrued benefit obligation, end of year

	Severance	Sick leave	2022
	\$	\$	\$
Accrued benefit liability, beginning of year	1,784,053	9,248,621	11,032,674
Employee future benefit expenses	117,791	1,185,535	1,303,326
Less benefits paid	(352,377)	(1,309,235)	(1,661,612)
Accrued benefit liability, end of year	1,549,467	9,124,921	10,674,388
Remaining accrued liability, March 31, 2022	162,922	-	162,922
Total accrued benefit liability, end of year	1,712,389	9,124,921	10,873,310
Unamortized actuarial (gains)/losses	(413,623)	(857,444)	(1,271,067)
Accrued benefit obligation, end of year	1,298,766	8,267,477	9,566,243

[b] Severance pay and sick leave expenses

Current service cost
 Interest on accrued benefit obligation
 Amortization of actuarial (gain)/loss
 Employee future benefit expenses

	Severance	Sick leave	2023
	\$	\$	\$
Current service cost	-	891,338	891,338
Interest on accrued benefit obligation	-	292,787	292,787
Amortization of actuarial (gain)/loss	-	16,139	16,139
Employee future benefit expenses	-	1,200,264	1,200,264

Current service cost
 Interest on accrued benefit obligation
 Amortization of actuarial (gain)/loss
 Employee future benefit expenses

	Severance	Sick leave	2022
	\$	\$	\$
Current service cost	116,419	894,653	1,011,072
Interest on accrued benefit obligation	38,919	257,613	296,532
Amortization of actuarial (gain)/loss	(37,547)	33,269	(4,278)
Employee future benefit expenses	117,791	1,185,535	1,303,326

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Notes to consolidated financial statements

March 31, 2023

13. Deferred contributions

Deferred contributions are set aside for specific purposes as required either by legislation, regulation or agreement:

2023				
	Balance, beginning of year	Receipts during the year	Recognized as revenue	Balance, end of year
	\$	\$	\$	\$
Deferred operating contributions	5,433,015	2,971,200	1,254,419	7,149,796
NCB initiatives	35,283	-	-	35,283
Deferred capital grants	19,515,473	6,805,983	9,942,271	16,379,185
Special purpose funds	1,074,475	753,804	478,331	1,349,948
	26,058,246	10,530,987	11,675,021	24,914,212

2022				
	Balance, beginning of year	Receipts during the year	Recognized as revenue	Balance, end of year
	\$	\$	\$	\$
Deferred operating contributions	4,771,577	2,061,565	1,400,127	5,433,015
NCB initiatives	21,552	65,368	51,637	35,283
Deferred capital grants	13,632,647	9,651,253	3,768,427	19,515,473
Special purpose funds	1,008,116	621,174	554,815	1,074,475
	19,433,892	12,399,360	5,775,006	26,058,246

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

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14. Long-term debt

Long-term debt consists of the following:

	2023 \$	2022 \$
Newfoundland and Labrador Housing Corporation 1.81% first mortgage on land and building of 12-unit apartment complex, repayable \$4,323 monthly, interest included, and maturing October 2025.	130,888	179,913

The aggregate amount of principal repayments estimated to be required in each of the next four fiscal years is as follows:

	\$
2024	49,920
2025	50,531
2026	30,137
2027	-

15. Contractual obligations

The Authority has entered into a number of multiple year operating leases and contracts for the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	2024 \$	2025 \$	2026 \$	2027 \$	2028 \$
Contractual obligations					
Future operating lease payments – properties	1,352,842	1,024,478	913,848	474,744	141,144
Future operating lease payments – vehicles	42,900	42,900	10,725	-	-
Future operating lease payments – equipment service	144,958	144,958	44,014	44,014	-
	1,540,700	1,212,336	968,587	518,758	141,144

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

16. Contingencies

A number of legal claims have been filed against the Authority. 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, the Authority's insurance program adequately addresses the risk of loss in these matters. Any contingencies of the Authority that arise after the date of these financial statements will be transferred to Newfoundland and Labrador Health Services as part of the amalgamation that occurred on April 1, 2023.

17. Net change in non-cash assets and liabilities related to operations

The net change in non-cash assets and liabilities related to operations consists of the following:

	2023 \$	2022 \$
Accounts receivable	104,021	(231,256)
Supplies inventory	223,407	245,846
Prepaid expenses	(321,426)	579,105
Accounts payable and accrued liabilities	(589,087)	(4,916,956)
Accrued vacation pay and other accrued benefits	(80,830)	337,069
Deferred contributions – operating contributions and NCB initiatives	1,716,781	675,169
Deferred contributions – special purpose funds	275,473	66,359
Due from/to Government/other Government entities	576,605	(3,600,752)
	<u>1,904,944</u>	<u>(6,845,416)</u>

18. 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 the Authority during the year:

	2022 \$	2021 \$
Salaries and benefits	139,939,355	136,074,814
Direct client costs	15,378,766	14,723,237
Other supplies	11,534,328	13,732,628
Medical and surgical supplies	9,986,713	8,917,734
Amortization of tangible capital assets <i>[note 7]</i>	4,569,609	4,738,981
Patient and staff travel	12,420,525	10,101,124
Equipment expenses	3,893,919	4,168,096
Grants	1,463,414	1,349,044
Referred out services	4,512,936	4,242,431
Insurance	1,101,360	1,068,457
Other	7,901,388	7,906,730
	<u>212,702,313</u>	<u>207,023,276</u>

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2023

19. Trusts under administration

Trusts administered by the Authority have not been included in these 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 long-term care residents was \$394,682 [2022 – \$531,381]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

20. Budget

The Authority 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 the Authority. The updated budget shown below is the updated budget after all amendments that have been processed. These final updated budget amounts are reflected in the budget column as presented in the consolidated statement of operations and accumulated deficit [the "Budget"].

In addition to the impact of such service and program changes, the Original Budget and the Budget prepared by the Authority do not include a budget for the operations of the 12-unit, 20-unit and Foundation, as such amounts are not considered by the Authority to significantly impact decisions or the allocation of resources.

The following presents a reconciliation between the Original Budget and the Budget as presented in the consolidated statement of operations and accumulated surplus for the year ended March 31, 2023:

	Revenue \$	Expenses \$	Annual deficit \$
Original budget	198,153,184	198,768,671	(615,487)
Adjustments during the year for service and program changes, net	2,962,338	2,962,338	-
Revised Budget	201,115,522	201,731,009	(615,487)

Labrador-Grenfell Regional Health Authority

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21. Related party transactions

The Authority's related party transactions occur between the Government and other Government entities. Other Government entities are those who report financial information to the Government. Transactions between the Authority and related parties are conducted at the carrying amount.

The Authority handles payments for other Government entities. As a result of these transactions, the Authority has a net asset of \$90,285 as at March 31, 2023 [2022 – \$90,285].

Transfers from the Government consist of funding payments made to the Authority for both operating and capital expenditures. Transfers from other related Government entities are payments made to the Authority from the MCP and the Department of Transportation and Works. Transactions are settled at prevailing market prices under normal trade terms.

The Authority had the following transfers from the Government and other Government controlled entities:

	2023	2022
	\$	\$
Transfers from the Government	180,286,338	170,658,034
Transfers from other Government entities	20,331,508	20,017,442
	<hr/> 200,617,846	<hr/> 190,675,476

Transfers to other Government entities include PSPP and Government Money Purchase Pension Plan contributions of \$6,165,794 for the year ended March 31, 2023 [2022 – \$6,261,767].

22. Subsequent events

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.

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23. Change in accounting policy – asset retirement obligation

Effective April 1, 2022, the Authority adopted PS3280 Asset Retirement Obligations which establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The Authority has made a modified retroactive adjustment. The impact of the prior period adjustment on the March 31, 2022 comparative amounts is as follows:

	2022 \$	Increase (Decrease) \$	2022 (restated) \$
Tangible Capital Assets	165,412,525	1,243,811	166,656,336
Accumulated Amortization	118,000,823	1,243,811	119,244,634
Accumulated Deficit – beginning of the year April 1, 2021	13,594,103	1,243,811	14,837,914
Liability for Asset Retirement Obligation	-	1,243,811	1,243,811