

# Consolidated Financial Statements

Western Regional Health Authority

March 31, 2023

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## Statement of responsibility

The accompanying consolidated financial statements are the responsibility of the Board of Trustees of the Western Regional Health Authority (the “Board”) and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards as recommended by the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the consolidated finalized financial statements.

Grant Thornton LLP as the Board's appointed external auditors, have audited the consolidated financial statements. The auditor's report is addressed to the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

 Director  Director

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# Independent auditors' report

To the Board of Trustees of Western Regional Health Authority

## Opinion

We have audited the consolidated financial statements of Western Regional Health Authority ("the Entity"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity 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.

## Other Matter – Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The appendix on page 25-30 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

## 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 Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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### **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 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, 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 Entity'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 Entity'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, future events or conditions may cause the Entity 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 Entity and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Western Regional Health Authority  
Consolidated Statement of Financial Position

March 31

2023

2022

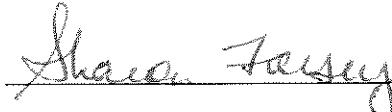
(in thousands of dollars)

Financial assets			
Receivables (Note 3)	\$ 15,341	\$ 8,512	
Trust funds on deposit (Note 4)	584	614	
Replacement reserve fund	220	220	
	<b>\$ 16,145</b>	<b>\$ 9,346</b>	
Liabilities			
Bank indebtedness (Note 5)	\$ 51,732	\$ 45,758	
Payables and accruals	30,829	30,586	
Vacation pay accrual	13,246	14,674	
Severance pay accrual	486	2,047	
Sick leave accrual (Note 6)	19,547	19,276	
Deferred contributions	9,295	7,191	
– operating			
Deferred contributions	23,010	17,152	
– capital			
Long term debt (Notes 7 & 8)	3,861	4,564	
Trust funds payable (Note 4)	584	614	
Asset retirement obligation (Note 14)	1,699	–	
	<b>\$ 154,289</b>	<b>\$ 141,862</b>	
Net debt	<b>\$ (138,144)</b>	<b>\$ (132,516)</b>	
Non-financial assets			
Tangible capital assets (Note 9)	\$ 73,830	\$ 71,632	
Inventory (Note 10)	6,198	6,188	
Prepaid expenses	3,034	2,864	
	<b>\$ 83,062</b>	<b>\$ 80,684</b>	
Accumulated deficit	<b>\$ (55,082)</b>	<b>\$ (51,832)</b>	

Contingencies and commitments (Note 11)  
Subsequent event (Note 15)

On behalf of the Board

 Trustee

 Trustee

See accompanying notes to the consolidated financial statements

# Western Regional Health Authority

## Consolidated Statement of Operations

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
<b>Revenue</b>			
Provincial plan – operating grant	\$ 383,907	\$ 383,907	\$ 371,559
Capital grant – provincial	5,455	8,965	9,327
Capital grant – other	1,545	1,236	103
MCP physician revenue	22,933	18,757	16,221
Inpatient	628	1,777	962
Outpatient	2,192	2,302	2,357
Resident revenue – long term care	8,906	9,172	8,920
Mortgage interest subsidy	-	-	2
Food service	1,586	1,761	1,567
Other recoveries	15,632	14,309	12,736
Other	2,254	5,229	3,920
	<b>445,038</b>	<b>447,415</b>	<b>427,674</b>
<b>Expenditures</b>			
Administration	25,027	27,330	29,882
Support services	65,853	71,865	66,855
Nursing inpatient services	101,012	103,630	97,117
Medical services	25,049	22,636	19,713
Ambulatory care services	39,790	39,941	33,875
Diagnostic and therapeutic services	38,364	39,778	38,006
Community and social services	135,038	129,449	126,798
Educational services	5,514	5,247	5,439
Undistributed	3,164	4,182	4,353
	<b>438,811</b>	<b>444,058</b>	<b>422,038</b>
<b>Surplus</b>	<b>\$ 6,227</b>	<b>\$ 3,357</b>	<b>\$ 5,636</b>

Western Regional Health Authority  
Consolidated Statement of Operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
<b>Adjustments for undernoted items</b>			
<b>– net expenses</b>			
Loss on disposal	\$ -	\$ -	\$ 57
Amortization expense	9,669	7,757	8,345
Accrued vacation expense			
– (decrease) increase	500	(1,428)	1,843
Accrued severance expense – decrease	-	(1,561)	(258)
Accrued sick expense – increase	200	271	310
Cottages – deficit	(196)	(131)	(160)
<b>Total adjustments for above noted items</b>	<b>10,173</b>	<b>4,908</b>	<b>10,137</b>
<b>Deficit</b>	<b>(3,946)</b>	<b>(1,551)</b>	<b>(4,501)</b>
Asset retirement obligation (Note 14)	-	(1,699)	-
<b>Accumulated deficit, beginning of year</b>	<b>(52,141)</b>	<b>(51,832)</b>	<b>(47,331)</b>
<b>Accumulated deficit, end of year</b>	<b>\$ (56,087)</b>	<b>\$ (55,082)</b>	<b>\$ (51,832)</b>

**Western Regional Health Authority**  
**Consolidated Statement of Changes in Net Debt**

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
<b>Net debt, beginning of year</b>	<b>\$ (132,516)</b>	<b>\$ (132,516)</b>	<b>\$ (128,102)</b>
Asset retirement obligation (Note 14)	-	(1,699)	-
<b>Deficit for the year</b>	<b>(3,946)</b>	<b>(1,551)</b>	<b>(4,501)</b>
	<b>(3,946)</b>	<b>(3,250)</b>	<b>(4,501)</b>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(10,510)	(10,201)	(9,344)
Loss on disposal	-	-	57
Amortization of tangible capital assets	9,669	7,757	8,345
Amortization of tangible capital assets - cottages	243	246	237
<b>Decrease in net book value of tangible capital assets</b>	<b>(598)</b>	<b>(2,198)</b>	<b>(705)</b>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expense (net of usage)	(170)	(170)	1,029
Acquisition of inventories of supplies (net of usage)	(10)	(10)	(237)
<b>(Decrease) increase in other non-financial assets</b>	<b>(180)</b>	<b>(180)</b>	<b>792</b>
<b>Increase in net debt</b>	<b>(4,724)</b>	<b>(5,628)</b>	<b>(4,414)</b>
<b>Net debt, end of year</b>	<b>\$ (137,240)</b>	<b>\$ (138,144)</b>	<b>\$ (132,516)</b>

# Western Regional Health Authority

## Consolidated Statement of Cash Flows

Year ended March 31  
(in thousands of dollars)

2023 2022

### Operating

Annual deficit	\$ (1,551)	\$ (4,501)
Add (deduct) non-cash items:		
Loss on disposal	-	57
Amortization of capital assets	7,757	8,345
Amortization of capital assets - cottages	246	237
Accrued vacation expense – (decrease) increase	(1,428)	1,843
Accrued severance expense – decrease	(1,561)	(258)
Accrued sick expense – increase	271	310
Changes in:		
Receivables	(6,829)	9,967
Inventory	(10)	(237)
Prepaid expenses	(170)	1,029
Deferred contributions - operating	2,104	717
Payables and accruals	243	3,489
<b>Net cash (applied to) provided by operating transactions</b>	<b>(928)</b>	<b>20,998</b>
<b>Capital</b>		
Acquisitions of tangible capital assets	(10,201)	(9,344)
<b>Net cash applied to capital transactions</b>	<b>(10,201)</b>	<b>(9,344)</b>
<b>Financing</b>		
Capital lease	(374)	(349)
Repayment of long term debt	(329)	(337)
Capital contributions	5,858	2,371
<b>Net cash provided by financing transactions</b>	<b>5,155</b>	<b>1,685</b>
<b>Net (decrease) increase in cash</b>	<b>(5,974)</b>	<b>13,339</b>
Cash and cash equivalents - beginning of year	(45,758)	(59,097)
Cash and cash equivalents - end of year	\$ (51,732)	\$ (45,758)

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 1. Nature of operations

The Western Regional Health Authority (“Western Health”) is constituted under the Regional Health Authority’s Act Constitution Order and is responsible for the management and control of the operations of acute and long-term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

Western Health controls Gateway Apartments, Emile Benoit House & Units, Interfaith Cottages, Bay St. George Cottages and Gateway Cottages. These entities were established to provide housing to senior citizens. These entities have been included in the consolidated financial statements.

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### 2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and reflect the following significant accounting policies:

#### Basis of consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations which are controlled by Western Health including Gateway Apartments, Emile Benoit House & Units, Interfaith Cottages, Bay St. George Cottages and Gateway Cottages.

#### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include accrued severance, accrued sick leave, useful life of tangible capital assets, impairment of assets, allowance for doubtful accounts and asset retirement obligation.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### **Accrued severance and sick leave**

Upon termination, retirement or death, the organization previously provided their employees, with at least nine years of services, with severance benefits equal to one week of pay per year of service up to a maximum of 20 weeks. Severance accumulation for employees has been curtailed and only a few benefits remain to be paid. The remaining liability has been determined using management's best estimate of employee retention, salary escalation, long term inflation and discount rates.

The organization provides their employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

#### **Accrued vacation pay**

An accrued liability for vacation pay is recorded in the accounts at year end for all employees who have a right to receive these benefits.

#### **Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual deficit (surplus), provides the change in net financial debt for the year.

#### **Inventory**

Inventory is valued at the lower of average cost and net realizable value. Cost includes purchase price plus the non-refundable portion of applicable taxes.

#### **Expenses**

Expenses are reported on an accrual basis. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Tangible capital assets

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets are recorded at cost. Assets are not amortized until placed in use. Assets in use are amortized over their useful life on a declining balance basis at the following rates:

Land improvements	2 1/2%
Buildings	6 1/4%
Parking lot	6 1/4%
Equipment	15%
Motor vehicles	20%
Leasehold improvements	20%

#### Asset retirement obligations

A liability for an asset retirement obligation is recognized when all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability is measured at the authority's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof). For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for (1) changes as a result of the passage of time with corresponding accretion expense and (2) adjusted for any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate. Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use, which are expensed in the period they are incurred.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Asset retirement obligations (cont'd)

The asset retirement costs are amortized over the remaining useful life of the asset.

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

The standard was adopted on the modified retrospective basis at the date of adoption.

#### Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

#### Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

#### Revenue recognition

Provincial plan revenues for operating and capital purposes are recognized in the period in which all eligibility criteria or stipulations have been met. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Province of Newfoundland and Labrador is authorized.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Western Health reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### Pension costs

Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and Western Health. The annual contributions for pensions are recognized in the accounts on an accrual basis.

Pension contributions were made in the following amounts:

	<u>2023</u>	<u>2022</u>
GMPP	\$ 3,598	\$ 3,716
PSPP	\$ 25,967	\$ 26,737

#### Funds and reserves

Certain amounts, as approved by the Board are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

#### Financial instruments

Western Health considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. Western Health accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- trust funds on deposit
- bank indebtedness
- payables and accruals
- long term debt
- trust funds payable

A financial asset or liability is recognized when Western Health becomes party to contractual provisions of the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 2. Summary of significant accounting policies (cont'd)

#### **Measurement**

The Authority initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with Western Health is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Western Health subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value; derivative contracts, which are measured at fair value; and certain financial assets and financial liabilities which the Authority has elected to measure at fair value. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents, receivables, and trust funds on deposit.

Financial liabilities measured at cost include bank indebtedness, payables and accruals, long term debt, and trust funds payable.

#### **Impairment**

Western Health removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in annual surplus.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

3. Receivables	2023	2022
Province of Newfoundland and Labrador		
Capital contributions	\$ 5,500	\$ 30
Provincial plan	826	2,182
MCP	2,799	1,778
Patient services	1,638	1,171
Foundations	365	110
Employees' pay and travel advances	81	101
Harmonized sales tax rebate	357	547
Department of Veterans Affairs	32	51
Other	3,682	2,522
	<hr/>	<hr/>
Cottages	15,280	8,492
	<hr/>	<hr/>
	61	20
	<hr/>	<hr/>
	\$ 15,341	\$ 8,512

### 4. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

### 5. Bank indebtedness

Western Health has access to a line of credit with the Bank of Montreal in the amount of \$55,000 in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2023 is \$47,181 (2022 – \$42,749). The balance outstanding on this line of credit is in the bank account balances listed below.

Interest is being charged at prime less 0.75% on any overdraft.

The bank indebtedness balance includes the following items:

	2023	2022
Bank accounts (including outstanding items)	\$ (52,203)	\$ (46,662)
Cash	83	118
	<hr/>	<hr/>
	(52,120)	(46,544)
Cottage cash	388	786
	<hr/>	<hr/>
	\$ (51,732)	\$ (45,758)

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**Western Regional Health Authority**  
**Notes to the Consolidated Financial Statements**  
 March 31, 2023  
 (in thousands of dollars)

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**6. Employee future benefits** **2023** **2022**

Future employee benefits related to accrued sick obligations have been calculated based on an actuarial valuation as at March 31, 2021 and extrapolated to March 31, 2023. The assumptions are based on future events. The economic assumptions used in the valuation are Western Health's best estimates of expected rates as follows:

Wages and salary escalation	3.50%	3.50%
Discount rate	4.47%	3.57%

Based on actuarial valuation of the liability, at March 31, 2023 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 19,493	\$ 21,626
Current period benefit cost	1,635	1,641
Benefit payments	(2,359)	(2,296)
Interest on the accrued benefit obligations	683	613
Actuarial gains/losses	(1,002)	(2,091)
Accrued sick pay obligations, at end	<u>\$ 18,450</u>	<u>\$ 19,493</u>

A reconciliation of the accrued benefit liability and the accrued benefit obligation is as follows:

Sick benefits:

Accrued benefit liability	\$ 19,547	\$ 19,276
Unamortized actuarial losses	<u>(1,097)</u>	<u>217</u>
Accrued benefit obligation	<u>\$ 18,450</u>	<u>\$ 19,493</u>

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**Western Regional Health Authority**  
**Notes to the Consolidated Financial Statements**  
 March 31, 2023  
 (in thousands of dollars)

<b>7. Long term debt</b>	<b>2023</b>	<b>2022</b>
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	\$ 359	\$ 442
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	2,373	2,747
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	379	436
1.81% NLHC loan on the Gateway Apartments Project, due in 2024, repayable in monthly blended instalments of \$6,382 amortized until March 2024	76	150
2.04% NLHC loan on the Inter-Faith Home for Senior Citizens – Cottages # 3, due in 2029, repayable in monthly blended instalments of \$3,924 until March 2024	287	328
1.81% NLHC mortgage on the Bay St. George Senior Citizens Home – 8 Unit Cottages, due in 2027, repayable in monthly blended instalments of \$2,292 amortized until March 2027	117	142
1.81% NLHC mortgage on the Bay St. George Senior Citizens Home – Emile Benoit House, due in 2027 repayable in monthly blended instalments of \$4,563 amortized until May 2028	270	319
	<b>\$ 3,861</b>	<b>\$ 4,564</b>

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at Corner Brook Interfaith Home and Cottages, Bay St. George Senior Citizens Home, Gateway Cottages, Cottages #1 & 2, having a net book value of \$1,997 (2022 – \$2,080).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$2,048 (2022 – \$2,410).

See Note 8 for five year principal repayment schedule.

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Western Regional Health Authority  
Notes to the Consolidated Financial Statements  
March 31, 2023  
(in thousands of dollars)

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**8. Obligations under long term debt**

Western Health has acquired building additions and equipment under the terms of long term debt. Payments under these obligations for the next five years are as follows:

Fiscal year ended		
2024	\$	742
2025		710
2026		756
2027		756
2028		717
	<hr/>	<hr/>
	\$	3,681

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Western Regional Health Authority  
 Notes to the Consolidated Financial Statements  
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**9. Tangible capital assets**

	<u>Land</u>	<u>Improvements</u>	<u>Buildings</u>	<u>Parking Lot</u>	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
<b>March 31, 2023</b>							
<b>Cost</b>							
Opening balance	\$ 1,102	\$ 435	\$ 74,834	\$ 1,142	\$ 184,448	\$ 2,972	\$ 264,234
Additions	-	-	2,100	-	8,006	95	10,201
Disposals	-	-	-	-	-	-	-
Closing balance	<u>1,102</u>	<u>435</u>	<u>76,934</u>	<u>1,142</u>	<u>192,454</u>	<u>3,067</u>	<u>275,134</u>
Accumulated amortization							
Opening balance	-	290	51,566	893	138,280	2,272	193,301
Additions	-	3	1,420	16	6,415	149	8,003
Disposals	-	-	-	-	-	-	-
Closing balance	-	<u>293</u>	<u>52,986</u>	<u>909</u>	<u>144,695</u>	<u>2,421</u>	<u>201,304</u>
Net book value	<u>\$ 1,102</u>	<u>\$ 142</u>	<u>\$ 23,948</u>	<u>\$ 233</u>	<u>\$ 47,759</u>	<u>\$ 646</u>	<u>\$ 73,830</u>

Western Regional Health Authority  
 Notes to the Consolidated Financial Statements  
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**9. Tangible capital assets (cont'd)**

	<u>Land</u>	<u>Improvements</u>	<u>Buildings</u>	<u>Parking Lot</u>	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b>March 31, 2022</b>								
<b>Cost</b>								
Opening balance	\$ 1,102	\$ 435	\$ 71,015	\$ 1,142	\$ 181,089	\$ 2,972	\$ 232	\$ 257,987
Additions	-	-	2,120	-	7,224	-	-	9,344
Disposals	-	-	-	-	(3,865)	-	(232)	(4,097)
Closing balance	<u>1,102</u>	<u>435</u>	<u>73,135</u>	<u>1,142</u>	<u>184,448</u>	<u>2,972</u>	<u>-</u>	<u>263,234</u>
<b>Accumulated amortization</b>								
Opening balance	-	286	48,401	876	135,170	2,097	230	187,060
Additions	-	4	1,466	17	6,920	175	-	8,582
Disposals	-	-	-	-	(3,810)	-	(230)	(4,040)
Closing balance	-	<u>290</u>	<u>49,867</u>	<u>893</u>	<u>138,280</u>	<u>2,272</u>	<u>-</u>	<u>191,602</u>
<b>Net book value</b>	<u>\$ 1,102</u>	<u>\$ 145</u>	<u>\$ 23,268</u>	<u>\$ 249</u>	<u>\$ 46,168</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 71,632</u>

Book value of capitalized items that have not been amortized is \$ 14,960 (2022 – \$9,273).

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Western Regional Health Authority  
 Notes to the Consolidated Financial Statements  
 March 31, 2023  
 (in thousands of dollars)

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10. Inventory	2023	2022
Dietary	\$ 237	\$ 211
Pharmacy	2,797	2,899
Supplies	<u>3,164</u>	<u>3,078</u>
	<u>\$ 6,198</u>	<u>\$ 6,188</u>

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11. Contingencies and commitments

**Claims**

As of March 31, 2023, there were a number of claims against Western Health in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against Western Health with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

**Operating leases**

Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings. These leases are accounted for as operating leases. Future minimum lease payments for the next five years are as follows:

Fiscal year ended

2024	\$ 3,295
2025	2,070
2026	1,348
2027	1,038
2028	<u>613</u>
	<u>\$ 8,364</u>

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### 12. Budget

Western Health prepares an initial budget for a fiscal period that is approved by the Board of Trustees and 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 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 Western Health. The updated budget amounts are reflected in the budget amounts as presented in the consolidated statement of operations [the “Budget”].

The Original Budget and Budget do not include amounts relating to certain non-cash and other items including 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.

The following presents a reconciliation of budgeted revenue for the year ended March 31, 2023:

Original budgeted provincial plan revenue	\$ 372,422
Add: Net provincial plan budget adjustments	<u>11,484</u>
Ending budgeted provincial plan revenue	<u>383,906</u>
Original budgeted other revenue	61,132
Add: Net budget increases - other	<u>-</u>
Ending budgeted revenue	<u>\$ 445,038</u>
Original budgeted salary expenditure	\$ 241,745
Add: Net salary budget adjustments	<u>14,771</u>
Ending budgeted salary expenditure	<u>256,516</u>
Original budgeted supply expenditure	188,958
Add: Net supply budget adjustments	<u>3,706</u>
Ending budgeted expenditures	<u>\$ 449,180</u>

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### **13. Financial instruments**

The main risks Western Health is exposed to through its financial instruments are credit risk, liquidity risk, and market risk.

#### **Credit risk**

Credit risk is the risk of financial loss to the Authority if a debtor fails to discharge their obligation (e.g., pay the accounts receivable owing to the Authority). The Authority is exposed to this risk arising from its accounts receivable and notes receivable. The entity provides credit to its clients in the normal course of its operations. There was no significant change in exposure from the prior year.

Western Health has a collection policy and monitoring process 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 the Authority will not be able to meet all cash outflow obligations as they come due. The Authority is exposed to this risk mainly in respect of its long-term debt, contributions to the pension plan and accounts payable. There was no significant change in exposure from the prior year.

The Authority mitigates this risk by having access to a line of credit in the amount of \$55,000. In addition, consideration will be given to obtaining additional funds through third party funding in the Province, assuming these can be obtained.

#### **Market risk**

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Authority is not significantly impacted by market risk.

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### **14. Asset retirement obligation**

On April 1, 2022, the entity adopted Canada public sector accounting standard PS 3280 Asset Retirement Obligations. The new accounting standard addressed 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 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 the entity recognized an asset retirement obligation relating to several buildings that contain asbestos. The buildings were built in 1960, 1963 and 1976, and the liability was measured as of the date of construction of the buildings, when the liability was assumed. The buildings are fully amortized, and the estimate has not been changed since construction.

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# Western Regional Health Authority

## Notes to the Consolidated Financial Statements

March 31, 2023  
(in thousands of dollars)

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### **14. Asset retirement obligation (cont'd)**

In accordance with the provisions of this new standard, the entity reflected the following adjustments:

- An increase of \$1,699 to the buildings tangible capital asset account, representing the original estimate of the obligation as of the date of construction, and an accompanying increase of \$1,699 to accumulated amortization, representing increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$1,699, representing the original obligation.
- A decrease to opening accumulated deficit of \$1,699, because of the recognition of the liability and accompanying increase in amortization expense for the years since construction.

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### **15. 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.

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# Western Regional Health Authority

## Appendices

March 31, 2023

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### Financial Statement Appendix

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Western Regional Health Authority  
 Non-Consolidated Statement of Financial Position  
 March 31  
 (in thousands of dollars)

	2023	2022
<b>Financial assets</b>		
Receivables	\$ 15,280	\$ 8,492
Due from associated funds	1,380	1,875
Trust funds on deposit	<u>584</u>	<u>614</u>
	<b><u>\$ 17,244</u></b>	<b><u>\$ 10,981</u></b>
<b>Liabilities</b>		
Bank indebtedness	\$ 52,120	\$ 46,544
Payables and accruals	30,793	30,558
Vacation pay accrual	13,246	14,674
Severance pay accrual	486	2,047
Sick leave accrual	19,547	19,276
Deferred contributions – operating	9,294	7,190
Deferred contributions – capital	23,010	17,152
Long term debt	2,732	3,189
Trust funds payable	584	614
Asset retirement obligation	<u>1,699</u>	<u>–</u>
	<b><u>\$ 153,511</u></b>	<b><u>\$ 141,244</u></b>
<b>Net debt</b>	<b><u>\$ (136,267)</u></b>	<b><u>\$ (130,263)</u></b>
<b>Non-financial assets</b>		
Tangible capital assets	\$ 72,096	\$ 69,652
Inventory	6,198	6,188
Prepaid expenses	<u>2,898</u>	<u>2,729</u>
	<b><u>81,192</u></b>	<b><u>78,569</u></b>
<b>Accumulated deficit</b>	<b><u>\$ (55,075)</u></b>	<b><u>\$ (51,694)</u></b>

## Western Regional Health Authority

### Non-Consolidated Statement of Operations

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
<b>Revenue</b>			
Provincial plan – operating grant	\$ 383,907	\$ 383,907	\$ 371,559
Capital grant – provincial	5,455	8,965	9,327
Capital grant – other	1,545	1,236	103
MCP physician revenue	22,933	18,757	16,221
Inpatient	628	1,777	962
Outpatient	2,192	2,302	2,357
Resident revenue – long term care	8,906	9,172	8,920
Mortgage interest subsidy	-	-	2
Food service	1,586	1,761	1,567
Other recoveries	15,632	14,309	12,736
Other	2,254	5,229	3,920
	<u>445,038</u>	<u>447,415</u>	<u>427,674</u>
<b>Expenditures</b>			
Administration	25,027	27,330	29,882
Support services	65,853	71,865	66,855
Nursing inpatient services	101,012	103,630	97,117
Medical services	25,049	22,636	19,713
Ambulatory care services	39,790	39,941	33,875
Diagnostic and therapeutic services	38,364	39,778	38,006
Community and social services	135,038	129,449	126,798
Educational services	5,514	5,247	5,439
Undistributed	3,164	4,182	4,353
	<u>438,811</u>	<u>444,058</u>	<u>422,038</u>
<b>Surplus</b>	<b>\$ 6,227</b>	<b>\$ 3,357</b>	<b>\$ 5,636</b>

Western Regional Health Authority  
Non-Consolidated Statement of Operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
<b>Adjustments for undenoted items</b>			
– net expenses			
Loss on disposal	\$ -	\$ -	\$ 57
Amortization expense	9,669	7,757	8,345
Accrued vacation expense			
– (decrease) increase	500	(1,428)	1,843
Accrued severance expense – decrease	-	(1,561)	(258)
Accrued sick expense – increase	200	271	310
<b>Total adjustments for above noted items</b>	<b>10,369</b>	<b>5,039</b>	<b>10,297</b>
<b>Deficit</b>	<b>(4,142)</b>	<b>(1,682)</b>	<b>(4,661)</b>
Asset retirement obligation (Note 14)	-	(1,699)	-
<b>Accumulated deficit, beginning of year</b>	<b>(52,003)</b>	<b>(51,694)</b>	<b>(47,033)</b>
<b>Accumulated deficit, end of year</b>	<b>\$ (56,145)</b>	<b>\$ (55,075)</b>	<b>\$ (51,694)</b>

**Western Regional Health Authority**  
**Non-Consolidated Statement of Changes in Net Debt**

Year ended March 31 (in thousands of dollars)	Budget 2023 (Note 12)	Actual 2023	Actual 2022
Net debt, beginning of year	\$ (130,263)	\$ (130,263)	\$ (125,454)
Deficit for the year	(4,142)	(1,682)	(4,661)
Asset retirement obligation (Note 14)	-	(1,699)	-
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	(10,510)	(10,201)	(9,344)
Loss on disposal	-	-	57
Amortization of tangible capital assets	9,669	7,757	8,345
<b>Decrease in net book value of tangible capital assets</b>	(841)	(2,444)	(942)
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expense (net of usage)	(169)	(169)	1,031
Acquisition of inventories of supplies (net of usage)	(10)	(10)	(237)
<b>(Decrease) increase in other non-financial assets</b>	(179)	(179)	794
<b>Increase in net debt</b>	(5,162)	(6,004)	(4,809)
<b>Net debt, end of year</b>	\$ (135,425)	\$ (136,267)	\$ (130,263)

**Western Regional Health Authority**  
**Non-Consolidated Statement of Cash Flows**

Year ended March 31  
 (in thousands of dollars)

**2023**

**2022**

**Operating**

Annual deficit	\$ (1,682)	\$ (4,661)
Add (deduct) non-cash items:		
Loss on disposal	-	57
Amortization of capital assets	7,757	8,345
Accrued vacation expense – (decrease) increase	(1,428)	1,843
Accrued severance expense – decrease	(1,561)	(258)
Accrued sick expense – increase	271	310
Changes in:		
Receivables	(6,788)	9,931
Due from associated funds	495	55
Inventory	(10)	(237)
Prepaid expenses	(169)	1,031
Deferred contributions - operating	2,104	718
Payables and accruals	235	3,490
<b>Net cash applied to operating transactions</b>	<b>(776)</b>	<b>20,624</b>
<b>Capital</b>		
Acquisitions of tangible capital assets	(10,201)	(9,344)
<b>Net cash applied to capital transactions</b>	<b>(10,201)</b>	<b>(9,344)</b>
<b>Financing</b>		
Capital lease	(374)	(349)
Repayment of long term debt	(83)	(100)
Capital contributions	5,858	2,371
<b>Net cash provided by financing transactions</b>	<b>5,401</b>	<b>1,922</b>
<b>Net cash (decrease) increase</b>	<b>(5,576)</b>	<b>13,202</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>(46,544)</b>	<b>(59,746)</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ (52,120)</b>	<b>\$ (46,544)</b>