

Labrador-Grenfell Regional Health Authority

Consolidated financial statements
March 31, 2022

Labrador-Grenfell Regional Health Authority

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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, 2022 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.

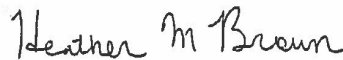
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management developed and maintains systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, proper records are maintained, assets are 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, 2022.



Noreen Careen
Board Chair (Interim)



Heather Brown
President & Chief Executive Officer



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BDO Canada LLP
300 Kenmount Road, Suite 100
St. John's, NL
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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, 2022, 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, 2022, 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.

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.

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
August 10, 2022

Labrador-Grenfell Regional Health Authority


Consolidated statement of financial position

As at March 31

| | 2022 | 2021 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 2,897,400 | 1,887,409 |
| Restricted cash <i>[note 3]</i> | 2,202,413 | 2,009,464 |
| Accounts receivable <i>[note 4]</i> | 5,390,797 | 5,159,541 |
| Due from Government/other government entities <i>[note 5]</i> | 9,586,930 | 6,487,681 |
| Inventories for resale | 1,464,217 | 1,488,362 |
| | 21,541,757 | 17,032,457 |
| Liabilities | | |
| Bank overdraft <i>[note 7]</i> | 5,672,939 | 1,081,645 |
| Demand credit facility <i>[note 7]</i> | 16,450,000 | 14,415,000 |
| Accounts payable and accrued liabilities <i>[note 8]</i> | 14,770,529 | 19,687,485 |
| Due to Government/other government entities <i>[note 9]</i> | 911,114 | 1,412,617 |
| Employee future benefits | | |
| Accrued severance pay <i>[note 10]</i> | 1,712,389 | 2,044,162 |
| Accrued sick leave <i>[note 10]</i> | 9,124,921 | 8,934,957 |
| Accrued vacation pay and other accrued benefits | 8,858,419 | 8,521,350 |
| Deferred contributions <i>[note 11]</i> | | |
| Deferred capital grants | 19,515,473 | 13,632,647 |
| Deferred operating contributions | 5,433,015 | 4,771,577 |
| Special purpose funds | 1,074,475 | 1,008,116 |
| National Child Benefit ["NCB"] initiatives | 35,283 | 21,552 |
| Long-term debt <i>[note 12]</i> | 179,913 | 228,059 |
| | 83,738,470 | 75,759,167 |
| Net debt | (62,196,713) | (58,726,710) |
| Non-financial assets | | |
| Tangible capital assets, net <i>[note 6]</i> | 47,617,629 | 48,211,948 |
| Prepaid expenses | 843,235 | 1,424,840 |
| Supplies inventory | 1,675,067 | 1,896,768 |
| | 50,135,931 | 51,533,556 |
| Accumulated surplus (deficit) | (12,060,782) | (7,193,154) |
| Contractual obligations <i>[note 13]</i> | | |
| Contingencies <i>[note 14]</i> | | |
| COVID-19 <i>[note 20]</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 | 2022 | 2021 |
|---|--------------------|---------------------|--------------------|
| | \$ | \$ | \$ |
| | <i>[note 18]</i> | | |
| Revenue | | | |
| Provincial plan – operating | 153,136,623 | 166,899,001 | 147,262,462 |
| Medical care plan | 25,342,971 | 18,731,942 | 19,312,818 |
| Provincial capital grant | — | 3,759,033 | 3,566,850 |
| Other capital contributions | — | 178,048 | 50,474 |
| Outpatient | 1,957,050 | 1,445,874 | 1,404,598 |
| Inpatient | 615,800 | 403,460 | 409,882 |
| Long-term care | 2,216,000 | 2,120,678 | 2,110,927 |
| Transportation and works | 1,285,500 | 1,285,500 | 1,285,500 |
| Apartment complexes | — | 129,055 | 251,141 |
| Foundation | — | 125,900 | 106,451 |
| Other | 13,306,985 | 7,077,157 | 7,110,773 |
| | 197,860,929 | 202,155,648 | 182,871,876 |
| Expenses <i>[note 16]</i> | | | |
| Support services | 39,280,592 | 43,862,142 | 39,994,957 |
| Community and social services | 34,152,454 | 33,614,316 | 31,057,642 |
| Nursing inpatient services | 31,818,103 | 31,610,053 | 30,765,880 |
| Medical services | 24,492,295 | 22,882,265 | 21,518,559 |
| Ambulatory care services | 27,329,607 | 26,616,808 | 24,564,263 |
| Diagnostic and therapeutic services | 20,601,594 | 21,391,330 | 19,172,692 |
| Administration | 18,142,477 | 19,725,976 | 16,396,565 |
| Amortization of tangible capital assets <i>[note 6]</i> | 5,000,000 | 4,738,981 | 4,917,596 |
| Education and research | 1,284,404 | 1,361,538 | 1,203,705 |
| Accrued severance pay | 100,000 | (257,773) | (77,818) |
| Accrued vacation pay | 500,000 | 1,183,489 | 728,545 |
| Accrued sick leave | 300,000 | 189,964 | 153,804 |
| Apartment complexes | — | 80,909 | 145,485 |
| Foundation | — | 23,278 | 25,097 |
| | 203,001,526 | 207,023,276 | 190,566,972 |
| Annual deficit | (5,140,597) | (4,867,628) | (7,695,096) |
| Accumulated deficit, beginning of year | | (7,193,154) | 501,942 |
| Accumulated surplus (deficit), end of year | (5,140,597) | (12,060,782) | (7,193,154) |

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 | 2021 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Annual deficit | (12,060,782) | (7,695,096) |
| Changes in tangible capital assets | | |
| Acquisition of tangible capital assets | (4,144,662) | (3,691,037) |
| Amortization of tangible capital assets | 4,738,981 | 4,917,596 |
| Decrease in net book value of tangible capital assets | 594,319 | 1,226,559 |
| Changes in other non-financial assets | | |
| Net decrease (increase) in prepaid expenses | 581,605 | (360,682) |
| Net decrease (increase) in supplies inventory | 221,701 | (539,421) |
| Decrease (increase) in other non-financial assets | 803,306 | (900,103) |
| Change in net debt | (10,663,157) | (7,368,640) |
| Net debt, beginning of year | (58,726,710) | (51,358,070) |
| Net debt, end of year | (69,389,867) | (58,726,710) |

See accompanying notes to the consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Consolidated statement of cash flows

Year ended March 31

| | 2022 | 2021 |
|---|--------------------|------------------|
| | \$ | \$ |
| Operating activities | | |
| Annual deficit | (4,867,628) | (7,695,096) |
| Adjustments for non-cash items | | |
| Amortization of tangible capital assets | 4,738,981 | 4,917,596 |
| Decrease in accrued severance pay | (331,773) | (77,818) |
| Increase in accrued sick leave | 189,964 | 153,804 |
| Net change in non-cash assets and liabilities related to operations [note 15] | (6,842,916) | 3,314,733 |
| Cash provided by operating activities | (7,113,372) | 613,219 |
| Capital activities | | |
| Acquisition of tangible capital assets | (4,144,662) | (3,691,037) |
| Capital asset contributions, net | 5,882,826 | 3,193,394 |
| Cash used in capital activities | 1,738,164 | (497,643) |
| Investing activities | | |
| Changes to restricted cash | (192,949) | (319,154) |
| Cash used in investing activities | (192,949) | (319,154) |
| Financing activities | | |
| Advances from (repayment of) demand credit facility | 2,035,000 | 1,345,000 |
| Repayment of long-term debt | (48,146) | (47,284) |
| Cash provided by (used in) financing activities | 1,986,854 | 1,297,716 |
| Increase in cash during the year | (3,581,303) | 1,094,138 |
| Bank indebtedness, beginning of year | 805,764 | (288,374) |
| Cash (bank indebtedness), end of year | (2,775,539) | 805,764 |
| Cash (bank indebtedness) comprised of: | | |
| Cash | 2,897,400 | 1,887,409 |
| Bank overdraft | (5,672,939) | (1,081,645) |
| Cash (bank indebtedness) | (2,775,539) | 805,764 |

See accompanying notes to the consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2022

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 17].

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, 2022

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 3].

Inventories for resale

Inventories for resale include pharmaceuticals and are 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 service. The severance benefit obligation has been actuarially determined using assumptions based on management’s best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, 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.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2022

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 \$6,261,767 for the year ended March 31, 2022 [2021 – \$6,133,283].

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.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2022

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:

| | |
|------------------------|-----|
| 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.

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, 2022

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, 2022

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 and the useful life of tangible capital assets. Actual results could differ from these estimates.

3. Restricted cash

Restricted cash is as follows:

| | 2022 \$ | 2021 \$ |
|--|------------------|------------------|
| Deferred contributions – special purpose funds (note 11) | 1,353,854 | 1,036,760 |
| Endowment fund | 781,523 | 785,432 |
| Restricted cash held by Newfoundland and Labrador Housing Corporation for replacement reserve | 67,036 | 187,272 |
| | 2,202,413 | 2,009,464 |

4. Accounts receivable

Accounts receivable are as follows:

| | 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 | 486,955 | 765,588 | 64,091 | 2,689,712 |
| Other receivable | 468,812 | 468,812 | - | - | - | - |
| Gross receivables | 7,274,734 | 3,268,388 | 486,955 | 765,588 | 64,091 | 2,689,712 |
| Less impairment allowance | 1,883,937 | 1,883,937 | - | - | - | - |
| Net accounts receivable | 5,390,797 | 1,384,451 | 486,955 | 765,588 | 64,091 | 2,689,712 |

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2022

4. Accounts receivable (continued)

| | 2021 | | | | | |
|---------------------------|-----------|-----------|-------------|--------------|--------------|--------------|
| | Total | Current | Past due | | | Over 90 days |
| | | | 1 – 30 days | 31 – 60 days | 61 – 90 days | |
| \$ | \$ | \$ | \$ | \$ | \$ | |
| Patient receivable | 6,379,767 | 2,797,285 | (17,783) | 192,745 | 46,941 | 3,360,579 |
| Other receivable | 423,716 | 423,716 | - | - | - | - |
| Gross receivables | 6,803,483 | 3,221,001 | (17,783) | 192,745 | 46,941 | 3,360,579 |
| Less impairment allowance | 1,643,942 | - | - | - | - | - |
| Net accounts receivable | 5,159,541 | 3,221,001 | (17,783) | 192,745 | 46,941 | 3,360,579 |

5. Due from Government/other Government entities

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

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| The Government | 8,501,942 | 5,606,361 |
| Department of Children, Seniors and Social Development | 90,285 | 90,285 |
| Harmonized sales tax recoverable | 994,703 | 791,035 |
| | 9,586,930 | 6,487,681 |

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. For the year ended March 31, 2022, the Authority has not recorded any impairment of receivables from the Government [2021 – nil].

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2022

6. Tangible capital assets

Tangible capital assets consist of the following:

| | Land | Land | Construction | Buildings | Leasehold | Equipment | Total |
|---------------------------------|---------------|---------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | Land | improvements | in progress | Buildings | improvements | and vehicles | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | | | |
| Cost | | | | | | | |
| Opening balance | 36,203 | 216,064 | 977,542 | 37,196,209 | 24,729,214 | 100,380,655 | 163,535,887 |
| 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 | 37,282,222 | 24,944,295 | 102,291,054 | 167,680,549 |
| Accumulated amortization | | | | | | | |
| Opening balance | - | 189,099 | - | 23,896,312 | 5,161,796 | 86,076,732 | 115,323,939 |
| Disposals | - | - | - | - | - | - | - |
| Amortization | - | 824 | - | 703,519 | 983,823 | 3,050,815 | 4,738,981 |
| Closing balance | - | 189,923 | - | 24,599,831 | 6,145,619 | 89,127,547 | 120,062,920 |
| Net book value | 36,203 | 26,141 | 2,910,711 | 12,682,391 | 18,798,676 | 13,163,507 | 47,617,629 |
| 2021 | | | | | | | |
| Cost | | | | | | | |
| Opening balance | 36,203 | 216,064 | 2,956,336 | 37,196,209 | 21,831,506 | 97,608,532 | 159,844,850 |
| Additions | - | - | 1,044,698 | - | - | 2,646,339 | 3,691,037 |
| Disposals | - | - | - | - | - | - | - |
| Transfers | - | - | (3,023,492) | - | 2,897,708 | 125,784 | - |
| Closing balance | 36,203 | 216,064 | 977,542 | 37,196,209 | 24,729,214 | 100,380,655 | 163,535,887 |
| Accumulated amortization | | | | | | | |
| Opening balance | - | 188,069 | - | 23,162,481 | 4,208,108 | 82,847,685 | 110,406,343 |
| Disposals | - | - | - | - | - | - | - |
| Amortization | - | 1,030 | - | 733,831 | 953,688 | 3,229,047 | 4,917,596 |
| Closing balance | - | 189,099 | - | 23,896,312 | 5,161,796 | 86,076,732 | 115,323,939 |
| Net book value | 36,203 | 26,965 | 977,542 | 13,299,897 | 19,567,418 | 14,303,923 | 48,211,948 |

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.

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7. 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 \$5,672,939 at March 31, 2022 [2021 – \$1,081,645].

The Authority has a demand credit facility [the “Facility”] with a Canadian chartered bank for a maximum amount of \$20,000,000, bearing interest at the bank’s prime rate less 1.00%. The relevant prime rate was 2.70% as at March 31, 2022 [2021 – 2.45%]. As at March 31, 2022, the Authority has drawn \$16,450,000 in funds from the Facility [2021 – \$14,415,000]. The effective interest rate for the year ended March 31, 2022 was 1.70% [2021 – 1.45%].

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

| | 2022 \$ | 2021 \$ |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | 9,001,125 | 10,166,918 |
| Salaries and wages payable | 5,769,404 | 9,520,567 |
| | 14,770,529 | 19,687,485 |

9. Due to Government/other Government entities

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

| | 2022 \$ | 2021 \$ |
|-------------------------|----------------|------------------|
| Government remittances | 844,624 | 1,274,672 |
| Due to other Government | 66,490 | 137,945 |
| | 911,114 | 1,412,617 |

10. Employee future benefits

The Authority provides its employees who have at least nine years of service, upon termination, retirement or death, with severance pay benefits equal to one week of pay per year of service up to a maximum of 20 weeks. The Authority provides these benefits through an unfunded defined benefit plan.

Based on collective agreements signed with the Registered Nurses Union of Newfoundland and Labrador (“RNUNL”) as at July 30, 2019, RNUNL employees with at least one year of eligible service received a lump sum payout during the current fiscal year of their accrued severance benefit based on pay and service as at March 31, 2019.

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.

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10. Employee future benefits (continued)

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, 2022 are based on an actuarial valuation for accounting purposes as at March 31, 2021, and an extrapolation of that valuation has been performed to March 31, 2022.

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 | 3.57% as at March 31, 2022 3.11% as at March 31, 2021 |
| Discount rate – benefit expense | 3.57% in fiscal 2022 3.11% in fiscal 2021 |
| Rate of compensation increase | 0.75% for promotions and merit as at March 31, 2022 0.75% for promotions and merit as at March 31, 2021 |

The net excess utilization rate of sick days is within the range of 9.2 to 114.1 days respectively for age groups ranging from 21 and under to 66 and over in bands of 3 years.

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10. Employee future benefits (continued)

[a] *Severance pay and sick leave liabilities*

| | 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 | 10,837,310 |
| 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 |

| | Severance \$ | Sick leave \$ | 2021 \$ |
|--|-----------------|------------------|-------------|
| Accrued benefit liability, beginning of year | | | |
| Employee future benefit expenses | 1,841,980 | 9,271,793 | 11,113,773 |
| Less benefits paid | 141,509 | 1,315,552 | 1,457,061 |
| Accrued benefit liability, end of year | (197,215) | (1,652,748) | (1,849,963) |
| Remaining accrued liability, March 31, 2021 | 1,786,274 | 8,934,597 | 10,720,871 |
| Total accrued benefit liability, end of year | 257,888 | - | 257,888 |
| Unamortized actuarial (gains)/losses | 2,044,162 | 8,934,597 | 10,978,759 |
| Accrued benefit obligation, end of year | (260,109) | 314,024 | 53,915 |
| | 1,784,053 | 9,248,621 | 11,032,674 |

[b] *Severance pay and sick leave 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 |

| | Severance \$ | Sick leave \$ | 2021 \$ |
|--|-----------------|------------------|------------|
| Current service cost | 118,335 | 909,407 | 1,027,742 |
| Interest on accrued benefit obligation | 46,278 | 297,244 | 343,522 |
| Amortization of actuarial (gain)/loss | (23,104) | 108,901 | 85,797 |
| Employee future benefit expenses | 141,509 | 1,315,552 | 1,457,061 |

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11. Deferred contributions

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

| | 2022 | | | | |
|----------------------------------|---|---|----------------------------------|---|---------------------------------|
| | Balance, beginning of year | Receipts during the year | Recognized as revenue | Transfers to other 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 |

| | 2021 | | | | |
|----------------------------------|---|---|----------------------------------|---|---------------------------------|
| | Balance, beginning of year | Receipts during the year | Recognized as revenue | Transfers to other revenue | Balance, end of year |
| | \$ | \$ | \$ | \$ | \$ |
| Deferred operating contributions | 2,823,701 | 2,163,330 | 215,454 | - | 4,771,577 |
| NCB initiatives | 21,944 | 72,049 | 72,441 | - | 21,552 |
| Deferred capital grants | 10,439,253 | 6,796,937 | 3,603,543 | - | 13,632,647 |
| Special purpose funds | 688,924 | 533,295 | 214,103 | - | 1,008,116 |
| | 13,973,822 | 9,565,611 | 4,105,541 | - | 19,433,892 |

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12. Long-term debt

Long-term debt consists of the following:

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| 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. | 179,913 | 288,059 |

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

| | \$ |
|------|--------|
| 2023 | 49,025 |
| 2024 | 49,920 |
| 2025 | 50,531 |
| 2026 | 30,137 |

13. 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.

| | 2023 \$ | 2024 \$ | 2025 \$ | 2026 \$ | 2027 \$ |
|---|------------------|------------------|------------------|----------------|----------------|
| Contractual obligations | | | | | |
| Future operating lease payments – properties | 1,157,825 | 806,530 | 805,430 | 777,530 | 336,900 |
| Future operating lease payments – vehicles | 126,165 | 123,072 | 120,027 | 103,694 | 37,270 |
| Future operating lease payments – equipment service | 1,141,192 | 144,958 | 144,958 | 44,014 | 44,014 |
| | <u>2,425,182</u> | <u>1,074,560</u> | <u>1,070,415</u> | <u>925,238</u> | <u>418,184</u> |

Labrador-Grenfell Regional Health Authority

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14. 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.

15. 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:

| | 2022 | 2021 |
|--|--------------------|------------------|
| | \$ | \$ |
| Accounts receivable | (231,256) | (528,199) |
| Inventories for resale and supplies inventory | 245,846 | (575,178) |
| Prepaid expenses | 579,105 | (360,682) |
| Accounts payable and accrued liabilities | (4,916,956) | 2,710,038 |
| Accrued vacation pay and other accrued benefits | 337,069 | 728,546 |
| Deferred contributions – operating contributions and NCB initiatives | 675,169 | 1,947,484 |
| Deferred contributions – special purpose funds | 66,359 | 319,192 |
| Due from/to Government/other Government entities | (3,600,752) | (926,468) |
| | (6,845,416) | 3,314,733 |

16. 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 | 136,074,814 | 127,198,093 |
| Direct client costs | 14,723,237 | 14,744,012 |
| Other supplies | 13,730,128 | 9,413,422 |
| Medical and surgical supplies | 8,917,734 | 8,651,274 |
| Amortization of tangible capital assets <i>[note 6]</i> | 4,738,981 | 4,917,853 |
| Patient and staff travel | 10,101,124 | 8,083,191 |
| Equipment expenses | 4,168,096 | 3,401,057 |
| Grants | 1,349,044 | 1,496,503 |
| Referred out services | 4,242,431 | 4,059,272 |
| Insurance | 1,068,457 | 1,039,960 |
| Other | 7,906,730 | 7,562,335 |
| | 207,020,776 | 190,566,972 |

Labrador-Grenfell Regional Health Authority

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17. 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, 2022, the balance of funds held in trust for long-term care residents was \$531,381 [2021 – \$482,102]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

18. 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, 2022:

| | Revenue | Expenses | Annual deficit |
|--|-------------|-------------|----------------|
| | \$ | \$ | \$ |
| Original budget | 190,403,003 | 195,543,600 | 5,140,597 |
| Adjustments during the year for service and program changes, net | 7,457,926 | 7,457,926 | - |
| Revised Budget | 197,860,929 | 203,001,526 | 5,140,597 |

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19. 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, 2022 [2021 – \$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:

| | 2022 | 2021 |
|--|--------------------|-------------|
| | \$ | \$ |
| Transfers from the Government | 170,658,034 | 150,829,312 |
| Transfers from other Government entities | 20,017,442 | 20,598,318 |
| | 190,675,476 | 171,427,630 |

Transfers to other Government entities include PSPP and Government Money Purchase Pension Plan contributions of \$6,261,767 for the year ended March 31, 2022 [2021 – \$6,133,283].

20. COVID-19

During the year, the Authority has been responding to the COVID-19 global health pandemic. The impact of COVID-19 has led to reduced government funding, restrictions placed for outpatient services and staff travel, vaccination rollouts, amongst others, and it is uncertain how long these will continue. As the COVID-19 pandemic continues, the potential impacts and their duration, remain uncertain and difficult to assess. Management considered the impact of COVID-19 in its assessment of the Authority's assets and liabilities and its ability to continue providing all services in the normal course. Although COVID-19 has had an impact on funding and operations, mechanisms are in place to ensure that the Authority is still able to maintain its core operations.

21. Restructuring

The Provincial Government has confirmed that it is moving forward with plans to establish a single health authority to create more consistency in health care throughout Newfoundland and Labrador. The four existing health authorities, including Labrador-Grenfell Health, will be maintained during transition planning, and operations will continue with the status quo. As of the report date, there was no set timeline for this restructuring to be completed.