



Consolidated Financial Statements

Western Regional Health Authority

March 31, 2021

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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

Independent auditor's report

To the Board of Trustees
Western Regional Health Authority

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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, 2021, 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, 2021, 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.

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.

Other Matter – Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedules on page 24-30 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.

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

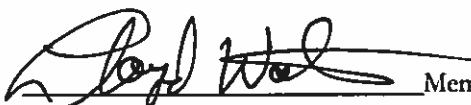
Consolidated statement of financial position

March 31	2021	2020
(in thousands of dollars)		
Financial assets		
Receivables (Note 3)	\$ 21,159	\$ 12,423
Trust funds on deposit (Note 4)	570	519
Replacement reserve fund	<u>220</u>	<u>214</u>
	<u>\$ 21,949</u>	<u>\$ 13,156</u>
Liabilities		
Bank indebtedness (Note 5)	\$ 59,097	\$ 33,426
Payables and accruals	27,097	23,664
Vacation pay accrual	12,831	9,648
Severance pay accrual (Note 6)	2,305	2,804
Sick leave accrual (Note 6)	18,966	18,884
Deferred contributions		
– operating	6,474	4,719
Deferred contributions		
– capital	17,461	11,559
Long term debt (Note 7)	5,250	6,018
Trust funds payable (Note 4)	<u>570</u>	<u>519</u>
	<u>\$ 150,051</u>	<u>\$ 111,241</u>
Net debt	<u>\$ (128,102)</u>	<u>\$ (98,085)</u>
Non-financial assets		
Tangible capital assets (Note 9)	\$ 70,927	\$ 67,922
Inventory (Note 10)	5,951	5,808
Prepaid expenses	<u>3,893</u>	<u>3,592</u>
	<u>80,771</u>	<u>77,322</u>
Accumulated deficit	<u>\$ (47,331)</u>	<u>\$ (20,763)</u>

Contingencies and commitments (Note 11)
Impacts of COVID-19 (Note 14)

On behalf of the Board


Member


Member

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 2021 (Note 12)	Actual 2021	Actual 2020
Revenue			
Provincial plan – operating grant	\$ 324,457	\$ 324,457	\$ 323,176
Capital grant – provincial	4,790	11,652	11,003
Capital grant – other	210	210	387
National child benefit	294	294	294
Early childhood development	359	359	359
MCP physician revenue	19,333	18,493	18,571
Inpatient	598	540	1,348
Outpatient	475	1,252	2,241
Resident revenue – long term care	7,920	8,197	7,797
Mortgage interest subsidy	-	21	21
Food service	1,306	1,407	1,783
Other recoveries	10,781	11,761	11,073
Other	2,665	2,910	3,523
	<u>373,188</u>	<u>381,553</u>	<u>381,576</u>
Expenditures			
Administration	33,142	26,501	24,591
Support services	64,061	62,797	59,225
Nursing inpatient services	94,558	89,593	91,645
Medical services	22,184	20,878	21,532
Ambulatory care services	32,056	31,342	32,956
Diagnostic and therapeutic services	38,135	35,890	35,952
Community and social services	122,669	121,068	116,516
Educational services	5,611	5,198	5,978
Undistributed	3,024	3,624	3,656
	<u>415,440</u>	<u>396,891</u>	<u>392,051</u>
Deficit	<u>\$ (42,252)</u>	<u>\$ (15,338)</u>	<u>\$ (10,475)</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2021 (Note 12)	Actual 2021	Actual 2020
Adjustments for undernoted items			
– net expenses			
Amortization expense	\$ 7,530	\$ 8,610	\$ 7,886
Accrued vacation expense			
– increase	200	3,183	1,629
Accrued severance expense			
– decrease	-	(499)	(10,850)
Accrued sick expense			
– increase	300	82	193
Cottages – deficit	<u>(202)</u>	<u>(146)</u>	<u>(194)</u>
Total adjustments for above noted items	<u>7,828</u>	<u>11,230</u>	<u>(1,336)</u>
Deficit	(50,080)	(26,568)	(9,139)
Accumulated deficit, beginning of year	<u>(20,763)</u>	<u>(20,763)</u>	<u>(11,624)</u>
Accumulated deficit, end of year	<u>\$ (70,843)</u>	<u>\$ (47,331)</u>	<u>\$ (20,763)</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of changes in net debt

Year ended March 31 (in thousands of dollars)	Budget 2021 (Note 12)	Actual 2021	Actual 2020
Net debt, beginning of year	\$ (98,085)	\$ (98,085)	\$ (85,502)
Deficit for the year	(50,080)	(26,568)	(9,139)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(11,844)	(11,844)	(11,233)
Amortization of tangible capital assets	7,530	8,610	7,886
Amortization of tangible capital assets - cottages	227	229	221
Decrease in net book value of tangible capital assets	(4,087)	(3,005)	(3,126)
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	(301)	(301)	343
Acquisition of inventories of supplies (net of usage)	(143)	(143)	(661)
Decrease in other non-financial assets	(444)	(444)	(318)
Increase in net debt	(54,611)	(30,017)	(12,583)
Net debt, end of year	\$ (152,696)	\$ (128,102)	\$ (98,085)

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Consolidated statement of cash flows

Year ended March 31 (in thousands of dollars)	2021	2020
Operating		
Annual deficit	\$ (26,568)	\$ (9,139)
Add (deduct) non-cash items:		
Amortization of capital assets	8,610	7,886
Amortization of capital assets - cottages	229	221
Accrued vacation expense – increase	3,183	1,629
Accrued severance expense – decrease	(499)	(10,850)
Accrued sick expense – increase	82	193
Changes in:		
Receivables	(8,736)	3,551
Inventory	(143)	(661)
Prepaid expenses	(301)	343
Deferred contributions - operating	1,755	343
Payables and accruals	3,433	(6,375)
Net cash applied to operating transactions	<u>(18,955)</u>	<u>(12,859)</u>
Capital		
Acquisitions of tangible capital assets	<u>(11,844)</u>	<u>(11,233)</u>
Net cash applied to capital transactions	<u>(11,844)</u>	<u>(11,233)</u>
Financing		
Capital lease	(325)	(303)
Repayment of long term debt	(443)	(606)
Capital contributions	<u>5,902</u>	<u>1</u>
Net cash provided by (applied to) financing transactions	<u>5,134</u>	<u>(908)</u>
Investing		
Temporary investments	-	130
Replacement reserve fund	<u>(6)</u>	<u>(72)</u>
Net cash (applied to) provided by investing transactions	<u>(6)</u>	<u>58</u>
Net cash applied to	(25,671)	(24,942)
Cash and cash equivalents - beginning of year	<u>(33,426)</u>	<u>(8,484)</u>
Cash and cash equivalents - end of year	<u>\$ (59,097)</u>	<u>\$ (33,426)</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Notes to the Consolidated financial statements

March 31, 2021

(in thousands of dollars)

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.

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 and allowance for doubtful accounts.

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. The results of sick and severance accrual do not reflect the unknown impacts of the COVID-19 pandemic nor related measures to slow the spread of the disease.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

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 provides their employees, with the exception of the NAPE, CUPE and NLNU bargaining units, 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. An actuarially determined accrued liability for severance has been recorded in the statements. This 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 average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

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%

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.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

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

Revenue recognition (cont'd)

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.

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>2021</u>	<u>2020</u>
GMPP	\$ 3,654	\$ 3,484
PSPP	\$ 24,928	\$ 23,579

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:

- 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.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

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

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 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.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

3. Receivables	<u>2021</u>	<u>2020</u>
Province of Newfoundland and Labrador		
Capital contributions	\$ 1,320	\$ -
Provincial plan	9,802	4,408
MCP	1,511	1,495
Patient services	1,066	1,401
Foundations	191	188
Employees' pay and travel advances	128	137
Harmonized sales tax rebate	428	731
Department of Veterans Affairs	49	96
Child Youth and Family Services	21	10
Other	<u>6,643</u>	<u>3,957</u>
	<u>\$ 21,159</u>	<u>\$ 12,423</u>

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 \$60,000 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, 2021 is \$53,310 (2020 - \$30,290). The balance outstanding on this line of credit is included 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:

	<u>2021</u>	<u>2020</u>
Bank accounts (including outstanding items)	\$ (59,882)	\$ (34,018)
Cash	136	128
Cottage cash	<u>649</u>	<u>464</u>
	<u>\$ (59,097)</u>	<u>\$ (33,426)</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

6. Employee future benefits 2021 2020

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 31, 2018 and extrapolated to March 31, 2021. During the past two years severance accumulation for employees, excluding physicians, was curtailed and adjusted in the valuation. 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	3.11%	3.25%

Based on actuarial valuation of the liability, at March 31, 2021 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 22,194	\$ 23,168
Current period benefit cost	1,592	1,600
Benefit payments	(2,699)	(2,634)
Interest on the accrued benefit obligations	703	691
Actuarial gains	(164)	(631)
Accrued sick pay obligations, at end	<u>\$ 21,626</u>	<u>\$ 22,194</u>

Based on actuarial valuation of the liability, at March 31, 2021 the results for severance are:

Accrued benefit obligation, beginning	\$ 2,759	\$ 13,641
Current period benefit cost	147	151
Benefit payments	(690)	(11,030)
Interest on the accrued benefit obligation	46	43
Actuarial gains	(7)	(46)
Accrued severance obligation, at end	<u>\$ 2,255</u>	<u>\$ 2,759</u>

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

Sick benefits:

Accrued benefit liability	\$ 18,966	\$ 18,884
Unamortized actuarial losses	2,660	3,310
Accrued benefit obligation	<u>\$ 21,626</u>	<u>\$ 22,194</u>

Severance benefits:

Accrued benefit liability	\$ 2,305	\$ 2,804
Unamortized actuarial gains	(50)	(45)
Accrued benefit obligation	<u>\$ 2,255</u>	<u>\$ 2,759</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

7. Long term debt	<u>2021</u>	<u>2020</u>
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2022, repayable in blended monthly payments of \$12,113	\$ 24	\$ 166
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	518	588
4.56% mortgage on the Woody Point Clinic, repaid during the year	-	2
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	487	533
1.81% NLHC loan on the Gateway Apartments Project, due in 2027, repayable in monthly blended instalments of \$6,382 amortized until March 2027	223	295
2.04% NLHC loan on the Inter-Faith Home for Senior Citizens – Cottages # 3, amortized to 2021, repayable in monthly blended instalments of \$3,925 until March 2021	368	407
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	166	191
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 March 2027	368	415
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	<u>3,096</u>	<u>3,421</u>
	<u>\$ 5,250</u>	<u>\$ 6,018</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

7. Long term debt (cont'd)

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 \$ 2,415 (2020 - \$2,860).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$ 2,835 (2020 - \$3,336).

See Note 8 for five year principal repayment schedule.

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		
2022	\$	687
2023		700
2024		742
2025		710
2026		756
	\$	<u>3,595</u>

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2021
(in thousands of dollars)

9. Tangible capital assets

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Parking Lot</u>	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Leasehold Improvements</u>	<u>Total</u>
March 31, 2021								
Cost								
Opening balance	\$ 1,102	\$ 435	\$ 70,276	\$ 1,142	\$ 170,483	\$ 2,473	\$ 232	\$ 246,143
Additions	-	-	739	-	10,606	499	-	11,844
Disposals	-	-	-	-	-	-	-	-
Closing balance	<u>1,102</u>	<u>435</u>	<u>71,015</u>	<u>1,142</u>	<u>181,089</u>	<u>2,972</u>	<u>232</u>	<u>257,987</u>
Accumulated amortization								
Opening balance	-	281	46,757	858	128,155	1,941	229	178,221
Additions	-	5	1,630	18	7,029	156	1	8,839
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	<u>286</u>	<u>48,387</u>	<u>876</u>	<u>135,184</u>	<u>2,097</u>	<u>230</u>	<u>187,060</u>
Net book value	<u>\$ 1,102</u>	<u>\$ 149</u>	<u>\$ 22,628</u>	<u>\$ 266</u>	<u>\$ 45,905</u>	<u>\$ 875</u>	<u>\$ 2</u>	<u>\$ 70,927</u>

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2021
(in thousands of dollars)

9. Tangible capital assets (cont'd)

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Parking Lot</u>	<u>Equipment</u>	<u>Motor Vehicles</u>	<u>Leasehold Improvements</u>	<u>Total</u>
March 31, 2020								
Cost								
Opening balance	\$ 1,102	\$ 435	\$ 68,810	\$ 1,142	\$ 160,716	\$ 2,473	\$ 232	\$ 234,910
Additions	-	-	1,466	-	9,767	-	-	11,233
Closing balance	<u>1,102</u>	<u>435</u>	<u>70,276</u>	<u>1,142</u>	<u>170,483</u>	<u>2,473</u>	<u>232</u>	<u>246,143</u>
Accumulated amortization								
Opening balance	-	279	45,062	839	121,897	1,808	229	170,114
Additions	-	2	1,695	19	6,258	133	-	8,107
Closing balance	-	<u>281</u>	<u>46,757</u>	<u>858</u>	<u>128,155</u>	<u>1,941</u>	<u>229</u>	<u>178,221</u>
Net book value	<u>\$ 1,102</u>	<u>\$ 154</u>	<u>\$ 23,519</u>	<u>\$ 284</u>	<u>\$ 42,328</u>	<u>\$ 532</u>	<u>\$ 3</u>	<u>\$ 67,922</u>

Book value of capitalized items that have not been amortized is \$ 3,653 (2020 - \$2,113)

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

10. Inventory	<u>2021</u>	<u>2020</u>
Dietary	\$ 184	\$ 183
Pharmacy	2,638	2,588
Supplies	<u>3,129</u>	<u>3,037</u>
	<u>\$ 5,951</u>	<u>\$ 5,808</u>

11. Contingencies and commitments

Claims

As of March 31, 2021, 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

2022	\$ 3,608
2023	1,288
2024	1,158
2025	720
2026	<u>613</u>
	<u>\$ 7,387</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

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, 2021:

Original budgeted provincial plan revenue	\$ 303,317
Add: Net provincial plan budget adjustments	<u>21,140</u>
Ending budgeted provincial plan revenue	324,457
Original budgeted other revenue	48,039
Add: Net budget increases - other	<u>692</u>
Ending budgeted revenue	<u>\$ 373,188</u>
Original budgeted salary expenditure	\$ 235,435
Add: Net salary budget adjustments	<u>4,563</u>
Ending budgeted salary expenditure	<u>239,998</u>
Original budgeted supply expenditure	180,169
Add: Net supply budget adjustments	<u>3,303</u>
Ending budgeted supply expenditure	<u>183,472</u>
Ending budgeted expenditures	<u>\$ 423,470</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021
(in thousands of dollars)

13. Financial instruments

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's main credit risks relate to its accounts 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 encounter difficulty in meeting the obligations associated with its financial liabilities. 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 \$60,000. In addition, consideration will be given to obtaining additional funds through third party funding in the Province, assuming these can be obtained.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2021

(in thousands of dollars)

14. Impacts of COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

During the year, the organization had to manage many operational challenges due to the global pandemic. In response, Western Health reduced services several times throughout the year during high alert levels and setup numerous testing, assessment, and vaccination clinics throughout the region, as well as new COVID inpatient unit in the hospital. Western Health was provided additional funding to help offset the extra costs of staffing, equipment, and personal protective equipment requirements due to ongoing public health measures. A provincial warehouse was setup under Eastern Health for storing personal protective equipment, therefore Western Health’s inventory has not significantly increased. Western Health also had a small amount of COVID vaccine inventory on hand with costing unavailable at year end.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses remains unclear during this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and result of the organization for future periods.

Western Regional Health Authority

Consolidated expenditures – operating/shareable

Schedule I

Year ended March 31 (in thousands of dollars)	2021	2020
Administration		
General administration	\$ 7,404	\$ 7,806
Finance	3,483	3,253
Personnel services	4,186	4,135
System support	62	3,485
Other administrative	<u>11,366</u>	<u>5,912</u>
	<u>26,501</u>	<u>24,591</u>
Support services		
Housekeeping	12,462	10,379
Laundry and linen	3,239	2,934
Plant services	16,542	17,139
Patient food services	13,877	12,974
Other support services	<u>16,677</u>	<u>15,799</u>
	<u>62,797</u>	<u>59,225</u>
Nursing inpatient service		
Nursing inpatient services – acute	55,013	61,621
Medical services	20,878	21,532
Nursing inpatient services – long term care	<u>34,580</u>	<u>30,024</u>
	<u>110,471</u>	<u>113,177</u>
Ambulatory care services	<u>31,342</u>	<u>32,956</u>
Diagnostic and therapeutic services		
Clinical laboratory	11,878	11,530
Diagnostic imaging	9,180	10,163
Other diagnostic and therapeutic	<u>14,832</u>	<u>14,259</u>
	<u>35,890</u>	<u>35,952</u>

Western Regional Health Authority
 Consolidated expenditures – operating/shareable
 Schedule I (cont'd)

Year ended March 31 (in thousands of dollars)	2021	2020
Community and social services		
Mental health and addictions	10,523	10,349
Community support programs	99,362	94,984
Family support programs	3,499	3,997
Health promotion and protection program	<u>7,684</u>	<u>7,186</u>
	<u>121,068</u>	<u>116,516</u>
Education	<u>5,198</u>	<u>5,978</u>
Undistributed	<u>3,624</u>	<u>3,656</u>
Shareable amortization	<u>539</u>	<u>537</u>
Total expenditures	<u>\$ 397,430</u>	<u>\$ 392,588</u>

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31 (in thousands of dollars)	2021	2020
Revenue		
Provincial plan – operating grant	\$ 324,457	\$ 323,176
Capital grant – provincial	11,652	11,003
Capital grant – other	210	387
MCP physician revenue	18,493	18,571
National child benefit	294	294
Early childhood development	359	359
Inpatient	540	1,348
Outpatient	1,252	2,241
Resident revenue – long term care	8,197	7,797
Mortgage interest subsidy	21	21
Food service	1,407	1,783
Other recoveries	11,761	11,073
Other	<u>2,910</u>	<u>3,523</u>
Total revenue	<u>381,553</u>	<u>381,576</u>
Expenditures		
Worked and benefit salaries and contributions	197,312	198,675
Benefit contributions	<u>35,754</u>	<u>34,498</u>
	<u>233,066</u>	<u>233,173</u>
Supplies – plant operations and maintenance	6,086	6,303
Supplies – drugs	10,971	11,061
Supplies – medical and surgical	11,310	11,882
Supplies – other	<u>16,902</u>	<u>13,499</u>
	<u>45,269</u>	<u>42,745</u>
Direct client costs – mental health and addictions	710	782
Direct client costs – community support	74,991	71,715
Direct client costs – family support	<u>1,461</u>	<u>1,778</u>
	<u>77,162</u>	<u>74,275</u>
Other shareable expenses	<u>41,243</u>	<u>41,691</u>

Western Regional Health Authority
 Consolidated revenue and expenditures for government reporting
 Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	2021	2020
Expenditures (cont'd)		
Long term debt – interest	44	50
Long term debt – principal	214	234
Capital lease – interest	107	117
Capital lease - principal	<u>325</u>	<u>303</u>
	<u>690</u>	<u>704</u>
Total expenditures	<u>397,430</u>	<u>392,588</u>
Less: Capital grant – provincial	<u>11,652</u>	<u>11,003</u>
Less: Capital grant – other	<u>210</u>	<u>387</u>
Deficit for government reporting	(27,739)	(22,402)
Long term debt - principal	214	234
Capital lease – principal	<u>325</u>	<u>303</u>
Deficit inclusive of other operations	(27,200)	(21,865)
Shareable amortization	<u>539</u>	<u>537</u>
Deficit before non-shareable items	<u>(27,739)</u>	<u>(22,402)</u>
Non-shareable items		
Amortization expense	8,071	7,349
Accrued vacation expense - increase	3,183	1,629
Accrued severance expense – decrease	(499)	(10,850)
Accrued sick expense – increase	82	193
Cottages	(146)	(194)
Capital grant – provincial	(11,652)	(11,003)
Capital grant - other	<u>(210)</u>	<u>(387)</u>
	<u>(1,171)</u>	<u>(13,263)</u>
Deficit as per Statement of Operations	<u>\$ (26,568)</u>	<u>\$ (9,139)</u>

Western Regional Health Authority
 Consolidated funding and expenditures for government reporting
 Capital transactions
 Schedule III

Year ended March 31 (in thousands of dollars)	2021	2020
Sources of funds		
Provincial capital equipment grant for current year	\$ 13,456	\$ 8,748
Provincial facility capital grant in current year	4,220	2,750
Add: Deferred capital grant from prior year	11,559	11,558
Less: Capital facility grant reallocated for operating fund purchases	(122)	(494)
Less: Deferred capital grant from current year	<u>(17,461)</u>	<u>(11,559)</u>
	11,652	11,003
Other contributions		
Foundations, auxiliaries and other	<u>210</u>	<u>387</u>
Total funding	<u>11,862</u>	<u>11,390</u>
Capital expenditures		
Asset, building and land	739	1,466
Asset, equipment	<u>11,105</u>	<u>9,767</u>
Total expenditures	<u>11,844</u>	<u>11,233</u>
Surplus on capital purchases	<u>\$ 18</u>	<u>\$ 157</u>

Western Regional Health Authority
Accumulated operating deficit for government reporting -
excluding cottages
Schedule IVA

Year ended March 31 (in thousands of dollars)	2021	2020
Accumulated operating deficit		
Current assets		
Accounts receivable	\$ 20,912	\$ 12,196
Due from associated funds	2,121	2,054
Inventory	5,951	5,808
Prepaid expenses	3,760	3,451
Other	<u>(103)</u>	<u>(103)</u>
Total current assets	<u>32,641</u>	<u>23,406</u>
Current liabilities		
Bank indebtedness	59,746	33,890
Accounts payable and accrued liabilities	27,068	23,625
Deferred contributions – operating	6,472	4,717
Deferred contributions - capital	<u>17,461</u>	<u>11,559</u>
Total current liabilities	<u>110,747</u>	<u>73,791</u>
Accumulated operating deficit	<u>\$ (78,106)</u>	<u>\$ (50,385)</u>
Reconciliation of operating deficit		
Accumulated operating deficit – beginning of year	\$ (50,385)	\$ (28,140)
Add: Net operating deficit per schedule II	(27,739)	(22,402)
Add: Transfer of restricted funds to operations	-	-
Add: Proceeds on sale of building	-	-
Add: Net surplus on capital purchases per schedule III	<u>18</u>	<u>157</u>
Accumulated operating deficit – end of year	(78,106)	(50,385)
Less: Net surplus on capital purchases – prior years	1,522	1,365
Less: Net surplus on capital purchases - 2020	-	157
Less: Net surplus on capital purchases - 2021	<u>18</u>	<u>-</u>
Accumulated operating deficit – per Department of Health and Community Services	<u>\$ (79,646)</u>	<u>\$ (51,907)</u>

Western Regional Health Authority
 Reconciliation of consolidated accumulated operating deficit for
 government reporting
 Schedule IVB

Year ended March 31 (in thousands of dollars)	2021	2020
Accumulated operating deficit – end of year per Schedule IVA	<u>\$ (78,106)</u>	<u>\$ (50,385)</u>
Adjustments:		
Intercompany – cottages elimination	(1,930)	(1,866)
Cottages – current assets	838	644
Cottages – current liabilities	(31)	(41)
Other assets	103	103
Replacement reserve	220	214
Vacation pay accrual	(12,831)	(9,648)
Severance pay accrual	(2,305)	(2,804)
Sick pay accrual	(18,966)	(18,884)
Long term debt	(5,250)	(6,018)
Tangible capital assets	<u>70,927</u>	<u>67,922</u>
	<u>30,775</u>	<u>29,622</u>
Accumulated deficit per Statement of Financial Position	<u>\$ (47,331)</u>	<u>\$ (20,763)</u>