



Consolidated Financial Statements

Western Regional Health Authority

March 31, 2020

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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, 2020, 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, 2020, 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.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Corner Brook, Canada
June 25, 2020

Chartered Professional Accountants

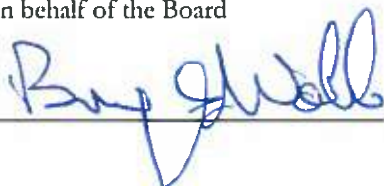
Western Regional Health Authority


Consolidated statement of financial position

March 31 (in thousands of dollars)	2020	2019
Financial assets		
Temporary investments	\$ -	\$ 130
Receivables (Note 3)	12,423	15,974
Trust funds on deposit (Note 4)	519	492
Replacement reserve fund	<u>214</u>	<u>142</u>
	<u>\$ 13,156</u>	<u>\$ 16,738</u>
Liabilities		
Payables and accruals	\$ 33,426	\$ 8,484
Vacation pay accrual	23,664	30,039
Severance pay accrual (Note 6)	9,648	8,019
Sick leave accrual (Note 6)	2,804	13,654
Deferred contributions	18,884	18,691
– operating	4,719	4,376
Deferred contributions		
– capital	11,559	11,558
Long term debt (Notes 7)	6,018	6,927
Trust funds payable (Note 4)	<u>519</u>	<u>492</u>
	<u>\$ 111,241</u>	<u>\$ 102,240</u>
Net debt	<u>\$ (98,085)</u>	<u>\$ (85,502)</u>
Non-financial assets		
Tangible capital assets (Note 9)	\$ 67,922	\$ 64,796
Inventory (Note 10)	5,808	5,147
Prepaid expenses	<u>3,592</u>	<u>3,935</u>
	<u>77,322</u>	<u>73,878</u>
Accumulated deficit	<u>\$ (20,763)</u>	<u>\$ (11,624)</u>

Contingencies and commitments (Note 11)

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 2020 (Note 12)	Actual 2020	Actual 2019
Revenue			
Provincial plan – operating grant	\$ 323,176	\$ 323,176	\$ 335,418
Capital grant – provincial	4,612	11,003	3,754
Capital grant – other	388	387	532
National child benefit	294	294	951
Early childhood development	359	359	359
MCP physician revenue	19,333	18,571	19,383
Inpatient	1,397	1,348	1,515
Outpatient	2,231	2,241	2,313
Resident revenue – long term care	7,873	7,797	8,075
Mortgage interest subsidy	21	21	21
Food service	1,763	1,783	1,775
Other recoveries	10,019	11,073	11,369
Other	2,717	3,523	3,210
	<u>374,183</u>	<u>381,576</u>	<u>388,675</u>
Expenditures			
Administration	25,227	24,591	30,423
Support services	58,775	59,225	63,795
Nursing inpatient services	93,719	91,645	92,749
Medical services	22,250	21,532	22,358
Ambulatory care services	32,819	32,956	31,371
Diagnostic and therapeutic services	36,503	35,952	40,374
Community and social services	117,556	116,516	111,103
Educational services	6,212	5,978	5,650
Undistributed	2,711	3,656	3,514
	<u>395,772</u>	<u>392,051</u>	<u>401,337</u>
Deficit	<u>\$ (21,589)</u>	<u>\$ (10,475)</u>	<u>\$ (12,662)</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 2020 (Note 12)	Actual 2020	Actual 2019
Adjustments for undernoted items			
– net expenses			
Amortization expense	\$ 7,530	\$ 7,886	\$ 7,669
Accrued vacation expense			
– increase (decrease)	200	1,629	(423)
Accrued severance expense – decrease	-	(10,850)	(20,652)
Accrued sick expense – increase	300	193	224
Cottages – deficit	<u>(280)</u>	<u>(194)</u>	<u>(154)</u>
Total adjustments for above noted items	<u>7,750</u>	<u>(1,336)</u>	<u>(13,336)</u>
(Deficit) surplus	(29,339)	(9,139)	674
Accumulated deficit beginning of year	<u>(11,624)</u>	<u>(11,624)</u>	<u>(12,298)</u>
Accumulated deficit, end of year	<u>\$ (40,963)</u>	<u>\$ (20,763)</u>	<u>\$ (11,624)</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 2020 (Note 12)	Actual 2020	Actual 2019
Net debt, beginning of year	\$ (85,502)	\$ (85,502)	\$ (89,471)
(Deficit) surplus for the year	(29,339)	(9,139)	674
Changes in tangible capital assets			
Acquisition of tangible capital assets	(11,233)	(11,233)	(4,226)
Amortization of tangible capital assets	7,530	7,886	7,669
Amortization of tangible capital assets - cottages	219	221	384
(Increase) decrease in net book value of tangible capital assets	(3,484)	(3,126)	3,827
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	343	343	(414)
Acquisition of inventories (net of usage)	(661)	(661)	(118)
Increase in other non-financial assets	(318)	(318)	(532)
(Increase) decrease in net debt	(33,141)	(12,583)	3,969
Net debt, end of year	\$ (118,643)	\$ (98,085)	\$ (85,502)

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)	2020	2019
Operating		
Annual (deficit) surplus	\$ (9,139)	\$ 674
Add (deduct) non – cash items:		
Amortization of capital assets	7,886	7,669
Amortization of capital assets – cottages	221	384
Accrued vacation expense – increase (decrease)	1,629	(423)
Accrued severance expense – decrease	(10,850)	(20,670)
Accrued sick expense – increase	193	224
Changes in:		
Receivables	3,551	2,278
Inventory	(661)	(118)
Prepaid expenses	343	(414)
Deferred contributions – operating	343	219
Payables and accruals	<u>(6,375)</u>	<u>3,289</u>
Net cash applied to operating transactions	<u>(12,859)</u>	<u>(6,888)</u>
Capital		
Acquisitions of tangible capital assets	<u>(11,233)</u>	<u>(4,226)</u>
Net cash applied to capital transactions	<u>(11,233)</u>	<u>(4,226)</u>
Financing		
Capital lease	(303)	(281)
Repayment of long term debt	(606)	(661)
Decrease in capital contributions	<u>1</u>	<u>2,905</u>
Net cash (applied to) provided by financing transactions	<u>(908)</u>	<u>1,963</u>
Investing		
Temporary investments	130	(5)
Replacement reserve fund	<u>(72)</u>	<u>(7)</u>
Net cash provided by (applied to) investing transactions	<u>58</u>	<u>(12)</u>
Net cash applied to	(24,942)	(9,163)
Cash and cash equivalents – beginning of year	<u>(8,484)</u>	<u>679</u>
Cash and cash equivalents – end of year	<u>\$ (33,426)</u>	<u>\$ (8,484)</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(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.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(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.

Based on collective agreements signed with NAPE, CUPE and NLNU as at March 31, 2018 all unionized employees had their severance frozen. Management and non-bargaining severance was frozen as of May 31, 2018. All unionized employees with at least one year of eligible service will receive a lump sum pay-out of their accrued severance benefit based on pay and service as at March 31, 2018, management and non-bargaining as of May 31, 2018. Physicians remain the only group of employees who have not had their severance frozen to date.

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, 2020

(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, 2020

(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>2020</u>		<u>2019</u>
GMPP	\$ 3,484	\$	3,633
PSPP	\$ 23,579	\$	24,694

Funds and reserves

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

Financial instruments

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

- cash and cash equivalents
- receivables
- trust funds on deposit
- restricted cash and investments
- 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, 2020

(in thousands of dollars)

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

Financial instruments (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 cash and cash equivalents, receivables, trust funds on deposit, and restricted cash and investments.

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, 2020

(in thousands of dollars)

3. Receivables	<u>2020</u>	<u>2019</u>
Province of Newfoundland and Labrador		
Capital contributions	\$ -	\$ 498
Provincial plan	4,408	6,797
MCP	1,495	2,851
Patient services	1,401	1,250
Foundations	188	377
Employees' pay and travel advances	137	196
Harmonized sales tax rebate	731	360
Department of Veterans Affairs	96	80
Child Youth and Family Services	10	3
Other	<u>3,957</u>	<u>3,562</u>
	<u>\$ 12,423</u>	<u>\$ 15,974</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 \$41,000 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, 2020 is \$30,290 (2019 - \$5,780). Interest is being charged at prime less 1.15% on any overdraft.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(in thousands of dollars)

6. Employee future benefits

2020

2019

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, 2020. During the past two years severance accumulation for NAPE, CUPE and NLNU employees 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%	0.75%
Discount rate	3.25%	3.05%

Based on actuarial valuation of the liability, at March 31, 2020 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 23,168	\$ 21,093
Current period benefit cost	1,600	1,527
Benefit payments	(2,634)	(2,557)
Interest on the accrued benefit obligations	691	746
Actuarial gains	<u>(631)</u>	<u>2,359</u>
Accrued sick pay obligations, at end	<u>\$ 22,194</u>	<u>\$ 23,168</u>

Based on actuarial valuation of the liability, at March 31, 2020 the results for severance are:

Accrued benefit obligation, beginning	\$ 13,641	\$ 30,539
Current period benefit cost	151	754
Benefit payments	(11,030)	(23,160)
Interest on the accrued benefit obligation	43	794
Settlement gain	-	1,238
Actuarial gains	<u>(46)</u>	<u>3,476</u>
Accrued severance obligation, at end	<u>\$ 2,759</u>	<u>\$ 13,641</u>

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

Sick benefits:

Accrued benefit liability	\$ 18,884	\$ 18,691
Unamortized actuarial losses	<u>3,310</u>	<u>4,477</u>
Accrued benefit obligation	<u>\$ 22,194</u>	<u>\$ 23,168</u>

Severance benefits:

Accrued benefit liability	\$ 2,804	\$ 13,654
Unamortized actuarial gains	<u>(45)</u>	<u>(13)</u>

Accrued benefit obligation	<u>\$ 2,759</u>	<u>\$ 13,641</u>
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Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(in thousands of dollars)

7. Long term debt	<u>2020</u>	<u>2019</u>
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of \$12,113	\$ 166	\$ 306
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	588	654
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of \$2,304	2	31
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	533	575
1.12% CMHC mortgage, repaid during the year	-	64
2.40% CMHC mortgage, repaid during the year	-	86
1.81% NLHC loan on the Gateway Apartments Project, due in 2027, repayable in monthly blended instalments of \$6,382 amortized until March 2027	295	366

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(in thousands of dollars)

7. Long term debt (cont'd)	<u>2020</u>	<u>2019</u>
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	407	445
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	191	214
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	415	462
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	<u>3,421</u>	<u>3,724</u>
	<u>\$ 6,018</u>	<u>\$ 6,927</u>

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, NLHC and Woody Point Clinic having a net book value of \$2,860 (2019 - \$3,319).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$3,336 (2019 - \$3,924).

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		
2021	\$	786
2022		687
2023		700
2024		742
2025		<u>710</u>
	<u>\$</u>	<u>3,625</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(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, 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>-</u>	<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>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(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, 2019								
Cost								
Opening balance	\$ 1,102	\$ 435	\$ 67,266	\$ 1,142	\$ 158,119	\$ 2,388	\$ 232	\$ 230,684
Additions	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	<u>2,597</u>	<u>85</u>	<u>-</u>	<u>4,226</u>
Closing balance	<u>1,102</u>	<u>435</u>	<u>68,810</u>	<u>1,142</u>	<u>160,716</u>	<u>2,473</u>	<u>232</u>	<u>234,910</u>
Accumulated amortization								
Opening balance	-	275	43,197	819	115,889	1,653	228	162,061
Additions	<u>-</u>	<u>4</u>	<u>1,865</u>	<u>20</u>	<u>6,008</u>	<u>155</u>	<u>1</u>	<u>8,053</u>
Closing balance	<u>-</u>	<u>279</u>	<u>45,062</u>	<u>839</u>	<u>121,897</u>	<u>1,808</u>	<u>229</u>	<u>170,114</u>
Net book value	<u>\$ 1,102</u>	<u>\$ 156</u>	<u>\$ 23,748</u>	<u>\$ 303</u>	<u>\$ 38,819</u>	<u>\$ 665</u>	<u>\$ 3</u>	<u>\$ 64,796</u>

Book value of capitalized items that have not been amortized is \$2,113 (2019 - \$4,794)

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(in thousands of dollars)

10. Inventory	<u>2020</u>	<u>2019</u>
Dietary	\$ 183	\$ 130
Pharmacy	2,588	2,066
Supplies	<u>3,037</u>	<u>2,951</u>
	<u>\$ 5,808</u>	<u>\$ 5,147</u>

11. Contingencies and commitments

Claims

As of March 31, 2020, 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

2021	\$ 3,913
2022	2,454
2023	273
2024	175
2025	<u>41</u>
	<u>\$ 6,856</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(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, 2020:

Original budgeted provincial plan revenue	\$ 309,337
Add: Net provincial plan budget adjustments	<u>13,839</u>
Ending budgeted provincial plan revenue	323,176
Original budgeted other revenue	51,127
Add: Net budget increases - other	<u>(120)</u>
Ending budgeted revenue	<u>\$ 374,183</u>
Original budgeted salary expenditure	\$ 225,877
Add: Net salary budget adjustments	<u>10,536</u>
Ending budgeted salary expenditure	<u>236,413</u>
Original budgeted supply expenditure	167,836
Add: Net supply budget adjustments	<u>(447)</u>
	<u>167,389</u>
Ending budgeted expenditures	<u>\$ 403,802</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2020

(in thousands of dollars)

13. Financial instruments

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

Credit risk

Credit risk is the risk 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 and notes receivable. The entity provides credit to its clients in the normal course of its operations. There was no significant change in exposure from the prior year.

Western Health has a collection policy and monitoring process intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Authority will 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 \$41,000. In addition, consideration will be given to obtaining additional funds through third party funding in the Province, assuming these can be obtained.

Market risk

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

14. Subsequent events

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite 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. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at 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 results of the Company for future periods.

Western Regional Health Authority

Consolidated expenditures – operating/shareable

Schedule I

Year ended March 31 (in thousands of dollars)	2020	2019
Administration		
General administration	\$ 7,806	\$ 8,523
Finance	3,253	3,923
Personnel services	4,135	4,614
System support	3,485	6,785
Other administrative	<u>5,912</u>	<u>6,578</u>
	<u>24,591</u>	<u>30,423</u>
Support services		
Housekeeping	10,379	11,451
Laundry and linen	2,934	3,268
Plant services	17,139	17,488
Patient food services	12,974	14,216
Other support services	<u>15,799</u>	<u>17,372</u>
	<u>59,225</u>	<u>63,795</u>
Nursing inpatient services		
Nursing inpatient services – acute	61,621	61,091
Medical services	21,532	22,358
Nursing inpatient services – long term care	<u>30,024</u>	<u>31,658</u>
	<u>113,177</u>	<u>115,107</u>
Ambulatory care services	<u>32,956</u>	<u>31,371</u>
Diagnostic and therapeutic services		
Clinical laboratory	11,530	13,061
Diagnostic imaging	10,163	10,714
Other diagnostic and therapeutic	<u>14,259</u>	<u>16,599</u>
	<u>35,952</u>	<u>40,374</u>

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

Year ended March 31 (in thousands of dollars)	2020	2019
Community and social services		
Mental health and addictions	10,349	10,345
Community support programs	94,984	89,944
Family support programs	3,997	4,251
Health promotion and protection program	<u>7,186</u>	<u>6,563</u>
	<u>116,516</u>	<u>111,103</u>
Education	<u>5,978</u>	<u>5,650</u>
Undistributed	<u>3,656</u>	<u>3,514</u>
Shareable amortization	<u>537</u>	<u>505</u>
Total expenditures	<u>\$ 392,588</u>	<u>\$ 401,842</u>

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31 (in thousands of dollars)	2020	2019
Revenue		
Provincial plan – operating grant	\$ 323,176	\$ 335,418
Capital grant – provincial	11,003	3,754
Capital grant – other	387	532
MCP physician revenue	18,571	19,383
National child benefit	294	951
Early childhood development	359	359
Inpatient	1,348	1,515
Outpatient	2,241	2,313
Resident revenue – long term care	7,797	8,075
Mortgage interest subsidy	21	21
Food service	1,783	1,775
Other recoveries	11,073	11,369
Other	<u>3,523</u>	<u>3,210</u>
Total revenue	<u>381,576</u>	<u>388,675</u>
Expenditures		
Worked and benefit salaries and contributions	198,675	211,628
Benefit contributions	<u>34,498</u>	<u>36,352</u>
	<u>233,173</u>	<u>247,980</u>
Supplies – plant operations and maintenance	6,303	6,486
Supplies – drugs	11,061	10,613
Supplies – medical and surgical	11,882	11,732
Supplies – other	<u>13,499</u>	<u>13,578</u>
	<u>42,745</u>	<u>42,409</u>
Direct client costs – mental health and addictions	782	613
Direct client costs – community support	71,715	66,679
Direct client costs – family support	<u>1,778</u>	<u>1,677</u>
	<u>74,275</u>	<u>68,969</u>
Other shareable expenses	<u>41,691</u>	<u>41,786</u>

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	2020	2019
Expenditures (cont'd)		
Long term debt – interest	50	64
Long term debt – principal	234	224
Capital lease – interest	117	126
Capital lease - principal	<u>303</u>	<u>281</u>
	<u>704</u>	<u>695</u>
 Total expenditures	 <u>392,588</u>	 <u>401,839</u>
 Less: Capital grant – provincial	 <u>11,003</u>	 <u>3,754</u>
 Less: Capital grant – other	 <u>387</u>	 <u>532</u>
 Deficit for government reporting	 (22,402)	 (17,450)
 Long term debt - principal	 234	 224
Capital lease – principal	<u>303</u>	<u>281</u>
 Deficit inclusive of other operations	 (21,865)	 (16,945)
 Shareable amortization	 <u>537</u>	 <u>505</u>
 Deficit before non-shareable items	 <u>(22,402)</u>	 <u>(17,450)</u>
Non-shareable items		
Amortization expense	7,349	7,167
Accrued vacation expense – increase (decrease)	1,629	(423)
Accrued severance expense – decrease	(10,850)	(20,652)
Accrued sick expense – increase	193	224
Cottages	(194)	(154)
Capital grant – provincial	(11,003)	(3,754)
Capital grant - other	<u>(387)</u>	<u>(532)</u>
	<u>(13,263)</u>	<u>(18,124)</u>
 (Deficit) surplus as per Statement of Operations	 \$ (9,139)	 \$ 674

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

Year ended March 31 (in thousands of dollars)	2020	2019
Sources of funds		
Provincial capital equipment grant for current year	\$ 8,748	\$ 3,939
Provincial facility capital grant in current year	2,750	2,840
Add: Deferred capital grant from prior year	11,558	8,653
Less: Capital facility grant reallocated for operating fund purchases	(494)	(120)
Less: Deferred capital grant from current year	<u>(11,559)</u>	<u>(11,558)</u>
	11,003	3,754
Other contributions		
Foundations, auxiliaries and other	<u>387</u>	<u>532</u>
Total funding	<u>11,390</u>	<u>4,286</u>
Capital expenditures		
Assets - building and land	1,466	1,544
Assets - equipment	<u>9,767</u>	<u>2,682</u>
Total expenditures	<u>11,233</u>	<u>4,226</u>
Surplus on capital purchases	<u>\$ 157</u>	<u>\$ 60</u>

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

Year ended March 31 (in thousands of dollars)	2020	2019
Accumulated operating deficit		
Current assets		
Temporary investments	\$ -	\$ 130
Accounts receivable	12,196	15,589
Due from associated funds	2,054	2,018
Inventory	5,808	5,147
Prepaid expenses	3,451	3,794
Other	<u>(103)</u>	<u>(104)</u>
Total assets	<u>23,406</u>	<u>26,574</u>
Current liabilities		
Bank indebtedness	33,890	8,864
Accounts payable and accrued liabilities	23,625	29,918
Deferred contributions – operating	4,717	4,374
Deferred contributions – capital	<u>11,559</u>	<u>11,558</u>
Total current liabilities	<u>73,791</u>	<u>54,714</u>
Accumulated operating deficit	<u>\$ (50,385)</u>	<u>\$ (28,140)</u>
Reconciliation of operating deficit		
Accumulated operating deficit – beginning of year	\$ (28,140)	\$ (10,750)
Add: Net operating deficit per schedule II	(22,402)	(17,450)
Add: Net surplus on capital purchases per schedule III	<u>157</u>	<u>60</u>
Accumulated operating deficit – end of year	<u>(50,385)</u>	<u>(28,140)</u>
Less: Net surplus on capital purchases – prior years	1,365	1,305
Less: Net surplus on capital purchases – 2019	-	60
Less: Net surplus on capital purchases – 2020	<u>157</u>	<u>-</u>
Accumulated operating deficit – per Department of Health and Community Services	<u>\$ (51,907)</u>	<u>\$ (29,505)</u>

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

Year ended March 31 (in thousands of dollars)	2020	2019
Accumulated operating deficit – end of year per Schedule IVA	<u>\$ (50,385)</u>	<u>\$ (28,140)</u>
Adjustments:		
Intercompany – cottages elimination	(1,866)	(1,641)
Cottages – current assets	644	529
Cottages – current liabilities	(41)	(123)
Other assets	103	104
Replacement reserve	214	142
Vacation pay accrual	(9,648)	(8,019)
Severance pay accrual	(2,804)	(13,654)
Sick pay accrual	(18,884)	(18,691)
Long term debt	(6,018)	(6,927)
Tangible capital assets	<u>67,922</u>	<u>64,796</u>
	<u>29,622</u>	<u>16,516</u>
Accumulated deficit per Statement of Financial Position	<u>\$ (20,763)</u>	<u>\$ (11,624)</u>