



Consolidated Financial Statements

Western Regional Health Authority

March 31, 2022

Contents

	<u>Page</u>
Statement of responsibility	1
Independent auditor's report	2-3
Consolidated statement of financial position	4
Consolidated statement of operations	5-6
Consolidated statement of changes in net debt	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-23
Financial statement appendix	24-29

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

Grant Thornton LLP
Suite 201
4 Herald Avenue
Corner Brook, NL
A2H 4B4
T (709) 634-4382
F (709) 634-9158
www.GrantThornton.ca

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, 2022, 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, 2022, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matter – Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The appendix on page 24-29 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

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

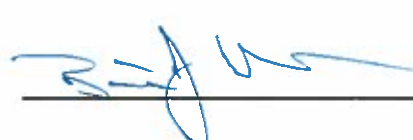
Consolidated statement of financial position

March 31	2022	2021
(in thousands of dollars)		
Financial assets		
Receivables (Note 3)	\$ 8,512	\$ 18,479
Trust funds on deposit (Note 4)	614	570
Replacement reserve fund	<u>220</u>	<u>220</u>
	<u>\$ 9,346</u>	<u>\$ 19,269</u>
Liabilities		
Bank indebtedness (Note 5)	\$ 45,758	\$ 59,097
Payables and accruals	30,586	27,097
Vacation pay accrual	14,674	12,831
Severance pay accrual (Note 6)	2,047	2,305
Sick leave accrual (Note 6)	19,276	18,966
Deferred contributions		
– operating	7,191	6,474
Deferred contributions		
– capital	17,152	14,781
Long term debt (Notes 7 & 8)	4,564	5,250
Trust funds payable (Note 4)	<u>614</u>	<u>570</u>
	<u>\$ 141,862</u>	<u>\$ 147,371</u>
Net debt	<u>\$ (132,516)</u>	<u>\$ (128,102)</u>
Non-financial assets		
Tangible capital assets (Note 9)	\$ 71,632	\$ 70,927
Inventory (Note 10)	6,188	5,951
Prepaid expenses	<u>2,864</u>	<u>3,893</u>
	<u>80,684</u>	<u>80,771</u>
Accumulated deficit	<u>\$ (51,832)</u>	<u>\$ (47,331)</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 2022 (Note 12)	Actual 2022	Actual 2021
Revenue			
Provincial plan – operating grant	\$ 371,559	\$ 371,559	\$ 324,457
Capital grant – provincial	6,897	9,327	11,652
Capital grant – other	103	103	210
National child benefit	-	-	294
Early childhood development	-	-	359
MCP physician revenue	18,833	16,221	18,493
Inpatient	524	962	540
Outpatient	1,344	2,357	1,252
Resident revenue – long term care	8,146	8,920	8,197
Mortgage interest subsidy	-	2	21
Food service	1,416	1,567	1,407
Other recoveries	11,088	12,736	11,761
Other	2,449	3,920	2,910
	<u>422,359</u>	<u>427,674</u>	<u>381,553</u>
Expenditures			
Administration	30,280	29,882	26,501
Support services	67,296	66,855	62,797
Nursing inpatient services	99,472	97,117	89,593
Medical services	22,321	19,713	20,878
Ambulatory care services	33,642	33,875	31,342
Diagnostic and therapeutic services	38,253	38,006	35,890
Community and social services	132,706	126,798	121,068
Educational services	5,731	5,439	5,198
Undistributed	3,080	4,353	3,624
	<u>432,781</u>	<u>422,038</u>	<u>396,891</u>
(Deficit) Surplus	<u>\$ (10,422)</u>	<u>\$ 5,636</u>	<u>\$ (15,338)</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 2022 (Note 12)	Actual 2022	Actual 2021
Adjustments for undernoted items			
– net expenses			
Loss on disposal	\$ -	\$ 57	\$ -
Amortization expense	7,530	8,345	8,610
Accrued vacation expense			
– increase	1,000	1,843	3,183
Accrued severance expense – decrease	-	(258)	(499)
Accrued sick expense – increase	200	310	82
Cottages – surplus	<u>(202)</u>	<u>(160)</u>	<u>(146)</u>
Total adjustments for above noted items	<u>8,528</u>	<u>10,137</u>	<u>11,230</u>
Deficit	(18,950)	(4,501)	(26,568)
Accumulated deficit, beginning of year	<u>(47,331)</u>	<u>(47,331)</u>	<u>(20,763)</u>
Accumulated deficit, end of year	<u>\$ (66,281)</u>	<u>\$ (51,832)</u>	<u>\$ (47,331)</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 2022 (Note 12)	Actual 2022	Actual 2021
Net debt, beginning of year	\$ (128,102)	\$ (128,102)	\$ (98,085)
Deficit for the year	<u>(18,950)</u>	<u>(4,501)</u>	<u>(26,568)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	(9,344)	(9,344)	(11,844)
Loss on disposal	-	57	-
Amortization of tangible capital assets	7,530	8,345	8,610
Amortization of tangible capital assets - cottages	<u>235</u>	<u>237</u>	<u>229</u>
Decrease in net book value of tangible capital assets	<u>(1,579)</u>	<u>(705)</u>	<u>(3,005)</u>
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	1,029	1,029	(301)
Acquisition of inventories of supplies (net of usage)	<u>(237)</u>	<u>(237)</u>	<u>(143)</u>
Increase (decrease) in other non-financial assets	<u>792</u>	<u>792</u>	<u>(444)</u>
Increase in net debt	<u>(19,737)</u>	<u>(4,414)</u>	<u>(30,017)</u>
Net debt, end of year	<u>\$ (147,839)</u>	<u>\$ (132,516)</u>	<u>\$ (128,102)</u>

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)	2022	2021
Operating		
Annual deficit	\$ (4,501)	\$ (26,568)
Add (deduct) non-cash items:		
Loss on disposal	57	-
Amortization of capital assets	8,345	8,610
Amortization of capital assets - cottages	237	229
Accrued vacation expense – increase	1,843	3,183
Accrued severance expense – decrease	(258)	(499)
Accrued sick expense – increase	310	82
Changes in:		
Receivables	9,967	(6,056)
Inventory	(237)	(143)
Prepaid expenses	1,029	(301)
Deferred contributions - operating	717	1,755
Payables and accruals	<u>3,489</u>	<u>3,433</u>
Net cash applied to operating transactions	<u>20,998</u>	<u>(16,275)</u>
Capital		
Acquisitions of tangible capital assets	<u>(9,344)</u>	<u>(11,844)</u>
Net cash applied to capital transactions	<u>(9,344)</u>	<u>(11,844)</u>
Financing		
Capital lease	(349)	(325)
Repayment of long-term debt	(337)	(443)
Capital contributions	<u>2,371</u>	<u>3,222</u>
Net cash provided by (applied to) financing transactions	<u>1,685</u>	<u>2,454</u>
Investing		
Replacement reserve fund	<u>-</u>	<u>(6)</u>
Net cash (applied to) provided by investing transactions	<u>-</u>	<u>(6)</u>
Net cash applied to	13,339	(25,671)
Cash and cash equivalents - beginning of year	<u>(59,097)</u>	<u>(33,426)</u>
Cash and cash equivalents - end of year	<u>\$ (45,758)</u>	<u>\$ (59,097)</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(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, 2022

(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, Management, 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, 2022

(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, 2022

(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>2022</u>	<u>2021</u>
GMPP	\$ 3,716	\$ 3,654
PSPP	\$ 26,737	\$ 24,928

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, 2022

(in thousands of dollars)

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

Measurement

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

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. Western Health does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in the annual surplus when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how Western Health initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the company has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

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, 2022

(in thousands of dollars)

3. Receivables	<u>2022</u>	<u>2021</u>
Province of Newfoundland and Labrador		
Capital contributions	\$ 30	\$ 1,320
Provincial plan	2,182	9,802
MCP	1,778	1,511
Patient services	1,171	1,066
Foundations	110	191
Employees' pay and travel advances	101	128
Harmonized sales tax rebate	547	428
Department of Veterans Affairs	51	49
Child Youth and Family Services	-	21
Other	<u>2,522</u>	<u>3,907</u>
	8,492	18,423
Cottages	<u>20</u>	<u>56</u>
	<u>\$ 8,512</u>	<u>\$ 18,479</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 \$55,000 in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2022 is \$42,749 (2021 - \$53,310). The balance outstanding on this line of credit is in the bank account balances listed below. Interest is being charged at prime less 0.75% on any overdraft.

The bank indebtedness balance includes the following items:

	<u>2022</u>	<u>2021</u>
Bank accounts (including outstanding items)	\$ (46,662)	\$ (59,882)
Cash	<u>118</u>	<u>136</u>
	(46,544)	(59,746)
Cottage cash	<u>786</u>	<u>649</u>
	<u>\$ (45,758)</u>	<u>\$ (59,097)</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(in thousands of dollars)

6. Employee future benefits 2022 2021

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 31, 2021 and extrapolated to March 31, 2022. Severance accumulation for employees, excluding physicians, has been 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	3.57%	3.11%

Based on actuarial valuation of the liability, at March 31, 2022 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 21,626	\$ 22,194
Current period benefit cost	1,641	1,592
Benefit payments	(2,296)	(2,699)
Interest on the accrued benefit obligations	613	703
Actuarial gains/losses	(2,091)	(164)
Accrued sick pay obligations, at end	<u>\$ 19,493</u>	<u>\$ 21,626</u>

Based on actuarial valuation of the liability, at March 31, 2022 the results for severance are:

Accrued benefit obligation, beginning	\$ 2,255	\$ 2,759
Current period benefit cost	119	147
Benefit payments	(397)	(690)
Interest on the accrued benefit obligation	40	46
Actuarial gains/losses	(234)	(7)
Accrued severance obligation, at end	<u>\$ 1,783</u>	<u>\$ 2,255</u>

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

Sick benefits:

Accrued benefit liability	\$ 19,276	\$ 18,966
Unamortized actuarial losses	217	2,660
Accrued benefit obligation	<u>\$ 19,493</u>	<u>\$ 21,626</u>

Severance benefits:

Accrued benefit liability	\$ 2,047	\$ 2,305
Unamortized actuarial gains	(264)	(50)
Accrued benefit obligation	<u>\$ 1,783</u>	<u>\$ 2,255</u>

Subsequent to year end, a new contract was signed that will result in the curtailment and settlement of severance entitlements for salaried physicians. This event is not reflected in the March 31, 2022 figured but will be reflected in the March 31, 2023 year-end.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(in thousands of dollars)

7. Long term debt	<u>2022</u>	<u>2021</u>
1.8% mortgage on the Bay St. George Seniors Home, repaid during the year	\$ -	\$ 24
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	442	518
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	2,747	3,096
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	436	487
1.81% NLHC loan on the Gateway Apartments Project, due in 2027, repayable in monthly blended instalments of \$6,382 amortized until March 2027	150	223
2.04% NLHC loan on the Inter-Faith Home for Senior Citizens – Cottages # 3, due in 2029, repayable in monthly blended instalments of \$3,924 until March 2024	328	368
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	142	166
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	319	368
	<u>\$ 4,564</u>	<u>\$ 5,250</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, having a net book value of \$2,080 (2021-\$2,415).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$2,410 (2021- \$2,835).

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022
(in thousands of dollars)

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		
2023	\$	700
2024		742
2025		710
2026		756
2027		756
		<hr/>
	\$	3,664

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

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2022
(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, 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>

Book value of capitalized items that have not been amortized is \$9,273 (2021- \$3,345)

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(in thousands of dollars)

10. Inventory	<u>2022</u>	<u>2021</u>
Dietary	\$ 211	\$ 184
Pharmacy	2,899	2,638
Supplies	<u>3,078</u>	<u>3,129</u>
	<u>\$ 6,188</u>	<u>\$ 5,951</u>

Western Health had a small, immaterial amount of covid vaccine on hand at year end that is not recorded in the financial statements.

11. Contingencies and commitments

Claims

As of March 31, 2022, 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 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

2023	\$ 3,225
2024	2,008
2025	1,448
2026	828
2027	<u>613</u>
	<u>\$ 8,122</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(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 and expenditures for the year ended March 31, 2022:

Original budgeted provincial plan revenue	\$ 338,550
Add: Net provincial plan budget adjustments	<u>33,009</u>
Ending budgeted provincial plan revenue	371,559
Original budgeted other revenue	50,800
Add: Net budget increases - other	<u>-</u>
Ending budgeted revenue	<u>\$ 422,359</u>
Original budgeted salary expenditure	\$ 240,002
Add: Net salary budget adjustments	<u>15,672</u>
Ending budgeted salary expenditure	<u>255,674</u>
Original budgeted supply expenditure	179,852
Add: Net supply budget adjustments	<u>5,985</u>
	<u>185,837</u>
Ending budgeted expenditures	<u>\$ 441,511</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(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. 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 bank indebtedness, long term debt, and accounts payable. There was no significant change in exposure from the prior year.

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

Market risk

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

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.

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2022

(in thousands of dollars)

14. Impacts of COVID-19 (cont.)

During the year, the organization continued 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 had a small amount of donated inventory on hand including COVID rapid test kits at year end which were immaterial and have not been recorded in the financial statements.

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.

15. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2022 financial statements.

Western Regional Health Authority

Appendices

March 31, 2022

Financial Statement Appendix

	<u>Page</u>
Non-consolidated statement of financial position	25
Non-consolidated statement of operations	26-27
Non-consolidated statement of changes in net debt	28
Non-consolidated statement of cash flows	29

Western Regional Health Authority

Non-Consolidated statement of financial position

March 31	2022	2021
(in thousands of dollars)		
Financial assets		
Receivables	\$ 8,492	\$ 18,423
Due from associated funds	1,875	1,930
Trust funds on deposit	<u>614</u>	<u>570</u>
	<u>\$ 10,981</u>	<u>\$ 20,923</u>
Liabilities		
Bank indebtedness	\$ 46,544	\$ 59,746
Payables and accruals	30,558	27,068
Vacation pay accrual	14,674	12,831
Severance pay accrual	2,047	2,305
Sick leave accrual	19,276	18,966
Deferred contributions		
– operating	7,190	6,472
Deferred contributions		
– capital	17,152	14,781
Long term debt	3,189	3,638
Trust funds payable	<u>614</u>	<u>570</u>
	<u>\$ 141,244</u>	<u>\$ 146,377</u>
Net debt	<u>\$ (130,263)</u>	<u>\$ (125,454)</u>
Non-financial assets		
Tangible capital assets	\$ 69,652	\$ 68,710
Inventory	6,188	5,951
Prepaid expenses	<u>2,729</u>	<u>3,760</u>
	<u>78,569</u>	<u>78,421</u>
Accumulated deficit	<u>\$ (51,694)</u>	<u>\$ (47,033)</u>

Western Regional Health Authority

Non-Consolidated statement of operations

Year ended March 31 (in thousands of dollars)	Budget 2022	Actual 2022	Actual 2021
Revenue			
Provincial plan – operating grant	\$ 371,559	\$ 371,559	\$ 324,457
Capital grant – provincial	6,897	9,327	11,652
Capital grant – other	103	103	210
National child benefit	-	-	294
Early childhood development	-	-	359
MCP physician revenue	18,833	16,221	18,493
Inpatient	524	962	540
Outpatient	1,344	2,357	1,252
Resident revenue – long term care	8,146	8,920	8,197
Mortgage interest subsidy	-	2	21
Food service	1,416	1,567	1,407
Other recoveries	11,088	12,736	11,761
Other	2,449	3,920	2,910
	422,359	427,674	381,553
Expenditures			
Administration	30,280	29,882	26,501
Support services	67,296	66,855	62,797
Nursing inpatient services	99,472	97,117	89,593
Medical services	22,321	19,713	20,878
Ambulatory care services	33,642	33,875	31,342
Diagnostic and therapeutic services	38,253	38,006	35,890
Community and social services	132,706	126,798	121,068
Educational services	5,731	5,439	5,198
Undistributed	3,080	4,353	3,624
	432,781	422,038	396,891
(Deficit) Surplus	\$ (10,422)	\$ 5,636	\$ (15,338)

Western Regional Health Authority

Non-Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2022	Actual 2022	Actual 2021
Adjustments for undernoted items			
– net expenses			
Loss on disposal	\$ -	\$ 57	\$ -
Amortization expense	7,530	8,345	8,610
Accrued vacation expense			
– increase	1,000	1,843	3,183
Accrued severance expense – decrease	-	(258)	(499)
Accrued sick expense – increase	<u>200</u>	<u>310</u>	<u>82</u>
Total adjustments for above noted items	<u>8,730</u>	<u>10,297</u>	<u>11,376</u>
Deficit	(19,152)	(4,661)	(26,714)
Accumulated deficit, beginning of year	<u>(47,033)</u>	<u>(47,033)</u>	<u>(20,319)</u>
Accumulated deficit, end of year	<u>\$ (66,185)</u>	<u>\$ (51,694)</u>	<u>\$ (47,033)</u>

Western Regional Health Authority

Non-Consolidated statement of changes in net debt

Year ended March 31 (in thousands of dollars)	Budget 2022	Actual 2022	Actual 2021
Net debt, beginning of year	\$ (125,454)	\$ (125,454)	\$ (95,054)
Deficit for the year	(19,152)	(4,661)	(26,714)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(9,344)	(9,344)	(11,844)
Loss on disposal	-	57	-
Amortization of tangible capital assets	7,530	8,345	8,610
Decrease in net book value of tangible capital assets	(1,814)	(942)	(3,234)
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	1,031	1,031	(309)
Acquisition of inventories of supplies (net of usage)	(237)	(237)	(143)
Increase (decrease) in other non-financial assets	794	794	(452)
Increase in net debt	(20,172)	(4,809)	(30,400)
Net debt, end of year	\$ (145,626)	\$ (130,263)	\$ (125,454)

Western Regional Health Authority

Non-Consolidated statement of cash flows

Year ended March 31 (in thousands of dollars)	2022	2021
Operating		
Annual deficit	\$ (4,661)	\$ (26,714)
Add (deduct) non-cash items:		
Loss on disposal	57	-
Amortization of capital assets	8,345	8,610
Accrued vacation expense – increase	1,843	3,183
Accrued severance expense – decrease	(258)	(499)
Accrued sick expense – increase	310	82
Changes in:		
Receivables	9,931	(6,036)
Due from associated funds	55	(67)
Inventory	(237)	(143)
Prepaid expenses	1,031	(309)
Deferred contributions - operating	718	1,755
Payables and accruals	<u>3,490</u>	<u>3,443</u>
Net cash applied to operating transactions	<u>20,624</u>	<u>(16,695)</u>
Capital		
Acquisitions of tangible capital assets	<u>(9,344)</u>	<u>(11,844)</u>
Net cash applied to capital transactions	<u>(9,344)</u>	<u>(11,844)</u>
Financing		
Capital lease	(349)	(325)
Repayment of long term debt	(100)	(214)
Capital contributions	<u>2,371</u>	<u>3,222</u>
Net cash provided by financing transactions	<u>1,922</u>	<u>2,683</u>
Net cash applied to	13,202	(25,856)
Cash and cash equivalents - beginning of year	<u>(59,746)</u>	<u>(33,890)</u>
Cash and cash equivalents - end of year	<u>\$ (46,544)</u>	<u>\$ (59,746)</u>