



Consolidated Financial Statements

Western Regional Health Authority

March 31, 2019

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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

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, 2019, 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, 2019, 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.

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	2019	2018
(in thousands of dollars)		
Financial assets		
Cash and cash equivalents	\$ -	\$ 679
Temporary investments	130	125
Receivables (Note 3)	15,974	18,252
Trust funds on deposit (Note 4)	492	483
Replacement reserve fund	142	135
	<u>\$ 16,738</u>	<u>\$ 19,674</u>
Liabilities		
Bank indebtedness (Note 5)	\$ 8,484	\$ -
Payables and accruals	30,039	26,750
Vacation pay accrual	8,019	8,442
Severance pay accrual (Note 6)	13,654	34,324
Sick leave accrual (Note 6)	18,691	18,467
Deferred contributions - operating	4,376	4,157
Deferred contributions - capital	11,558	8,653
Long term debt (Notes 7 & 8)	6,927	7,869
Trust funds payable	492	483
	<u>\$ 102,240</u>	<u>\$ 109,145</u>
Net debt	<u>\$ (85,502)</u>	<u>\$ (89,471)</u>
Non-financial assets		
Tangible capital assets (Note 9)	\$ 64,796	\$ 68,623
Inventory (Note 10)	5,147	5,029
Prepaid expenses	3,935	3,521
	<u>73,878</u>	<u>77,173</u>
Accumulated deficit	<u>\$ (11,624)</u>	<u>\$ (12,298)</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 2019 (Note 12)	Actual 2019	Actual 2018
Revenue			
Provincial plan – operating grant	\$ 335,418	\$ 335,418	\$ 320,745
Capital grant – provincial	4,468	3,754	5,465
Capital grant – other	532	532	801
National child benefit	951	951	1,377
Early childhood development	359	359	359
MCP physician revenue	17,952	19,383	18,581
Inpatient	1,507	1,515	1,569
Outpatient	2,267	2,313	2,304
Resident revenue – long term care	7,845	8,075	8,066
Mortgage interest subsidy	21	21	21
Food service	1,696	1,775	1,736
Other recoveries	8,659	11,369	9,290
Other	2,749	3,210	4,531
	<u>384,424</u>	<u>388,675</u>	<u>374,845</u>
Expenditures			
Administration	25,995	30,423	26,110
Support services	62,813	63,795	56,906
Nursing inpatient services	92,690	92,749	88,583
Medical services	21,221	22,358	21,594
Ambulatory care services	30,126	31,371	28,733
Diagnostic and therapeutic services	40,844	40,374	35,844
Community and social services	105,733	111,103	99,943
Educational services	6,006	5,650	5,487
Undistributed	2,754	3,514	3,880
	<u>388,182</u>	<u>401,337</u>	<u>367,080</u>
(Deficit) surplus	<u>\$ (3,758)</u>	<u>\$ (12,662)</u>	<u>\$ 7,765</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 2019 (Note 12)	Actual 2019	Actual 2018
Adjustments for undernoted items			
– net expenses			
Amortization expense	\$ 7,844	\$ 7,669	\$ 8,075
Accrued vacation expense - decrease	200	(423)	(209)
Accrued severance expense			
– (decrease) increase	-	(20,652)	1,822
Accrued sick expense – increase	300	224	469
Cottages – deficit	<u>(116)</u>	<u>(154)</u>	<u>(98)</u>
Total adjustments for above noted items	<u>8,228</u>	<u>(13,336)</u>	<u>10,059</u>
Surplus (deficit)	(11,986)	674	(2,294)
Accumulated deficit, beginning of year	<u>(12,298)</u>	<u>(12,298)</u>	<u>(10,004)</u>
Accumulated deficit, end of year	<u>\$ (24,284)</u>	<u>\$ (11,624)</u>	<u>\$ (12,298)</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 2019 (Note 12)	Actual 2019	Actual 2018
Net debt, beginning of year	\$ (89,471)	\$ (89,471)	\$ (89,601)
Surplus (deficit) for the year	(11,986)	674	(2,294)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(4,226)	(4,226)	(6,330)
Disposal of capital asset	-	-	382
Amortization of tangible capital assets	7,844	7,669	8,075
Amortization of tangible capital assets - cottages	433	384	445
Increase in net book value of tangible capital assets	4,051	3,827	2,572
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	(414)	(414)	(46)
Acquisition of inventories of supplies (net of usage)	(118)	(118)	(102)
Increase in other non-financial assets	(532)	(532)	(148)
Decrease in net debt	(8,467)	3,969	130
Net debt, end of year	\$ (97,938)	\$ (85,502)	\$ (89,471)

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)	2019	2018
Operating		
Annual surplus (deficit)	\$ 674	\$ (2,294)
Add (deduct) non-cash items:		
Amortization of capital assets	7,669	8,075
Amortization of capital assets - cottages	384	445
Accrued vacation expense – decrease	(423)	(209)
Accrued severance expense – (decrease) increase	(20,670)	1,822
Accrued sick expense – increase	224	469
Gain (loss) on sale of capital assets	-	(43)
Changes in:		
Receivables	2,278	(9,061)
Inventory	(118)	(102)
Prepaid expenses	(414)	(46)
Deferred contributions – operating	219	(2,162)
Payables and accruals	3,289	(1,077)
Net cash applied to operating transactions	<u>(6,888)</u>	<u>(4,183)</u>
Capital		
Proceeds on sale of capital asset	-	425
Acquisitions of tangible capital assets	<u>(4,226)</u>	<u>(6,330)</u>
Net cash applied to capital transactions	<u>(4,226)</u>	<u>(5,905)</u>
Financing		
Capital lease	(281)	(262)
Repayment of long term debt	(661)	(716)
Decrease in capital contributions	<u>2,905</u>	<u>(2)</u>
Net cash provided by (applied to) financing transactions	<u>1,963</u>	<u>(980)</u>
Investing		
Temporary investments	(5)	(125)
Restricted cash and investments	-	163
Replacement reserve fund	<u>(7)</u>	<u>(2)</u>
Net cash (applied to) provided by investing transactions	<u>(12)</u>	<u>36</u>
Net cash applied to	(9,163)	(11,032)
Cash and cash equivalents – beginning of year	<u>679</u>	<u>11,711</u>
(Bank indebtedness) cash and cash equivalents – end of year	<u>\$ (8,484)</u>	<u>\$ 679</u>

See accompanying notes to the consolidated financial statements

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(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, 2019

(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 bargaining unit, 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, 2019

(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, 2019

(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>2019</u>	<u>2018</u>
GMPP	\$ 3,633	\$ 3,474
PSPP	\$ 24,694	\$ 24,022

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, 2019

(in thousands of dollars)

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

Measurement

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

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

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

Financial assets measured at cost include cash and cash equivalents, receivables, 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, 2019

(in thousands of dollars)

3. Receivables	<u>2019</u>	<u>2018</u>
Province of Newfoundland and Labrador		
Capital contributions	\$ 498	\$ 276
Provincial plan	6,797	8,614
MCP	2,851	3,065
Patient services	1,250	1,089
Foundations	377	250
Employees' pay and travel advances	196	258
Harmonized sales tax rebate	360	331
Department of Veterans Affairs	80	86
Child Youth and Family Services	3	1,995
Other	<u>3,562</u>	<u>2,288</u>
	<u>\$ 15,974</u>	<u>\$ 18,252</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 \$18,500 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, 2019 is \$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, 2019

(in thousands of dollars)

6. Employee future benefits 2019 2018

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 31, 2019. During the year severance accumulation for CUPE, executives, managers, and non-management/non-union 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	0.75%	0.75%
Discount rate	3.05%	3.30%

Based on actuarial valuation of the liability, at March 31, 2019 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 21,093	\$ 23,288
Current period benefit cost	1,527	1,854
Benefit payments	(2,557)	(2,748)
Interest on the accrued benefit obligations	746	845
Actuarial gains	<u>2,359</u>	<u>(2,146)</u>
Accrued sick pay obligations, at end	<u>\$ 23,168</u>	<u>\$ 21,093</u>

Based on actuarial valuation of the liability, at March 31, 2019 the results for severance are:

Accrued benefit obligation, beginning	\$ 30,539	\$ 31,191
Current period benefit cost	754	2,216
Benefit payments	(23,160)	(2,722)
Interest on the accrued benefit obligation	794	1,144
Settlement gain	1,238	1,536
Actuarial gains	<u>3,476</u>	<u>(2,826)</u>
Accrued severance obligation, at end	<u>\$ 13,641</u>	<u>\$ 30,539</u>

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

Sick benefits:

Accrued benefit liability	\$ 18,691	\$ 18,467
Unamortized actuarial losses	<u>4,477</u>	<u>2,626</u>
Accrued benefit obligation	<u>\$ 23,168</u>	<u>\$ 21,093</u>

Severance benefits:

Accrued benefit liability	\$ 13,654	\$ 34,324
Unamortized actuarial gains	<u>(13)</u>	<u>(3,785)</u>
Accrued benefit obligation	<u>\$ 13,641</u>	<u>\$ 30,539</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(in thousands of dollars)

7. Long term debt	<u>2019</u>	<u>2018</u>
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of \$12,113	\$ 306	\$ 445
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	654	713
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of \$2,304	31	57
2.11 % CMHC loan repaid during the year	-	53
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	575	613
1.12% CMHC mortgage on the Inter-Faith Home for Senior Citizens – Cottages #2, due 2019, amortized over 25 years, repayable in monthly blended instalments of \$7,103	64	148
2.40% CMHC mortgage on the Inter-Faith Home for Senior Citizens – Cottages #2, due 2020, amortized over 25 years, repayable in monthly blended instalments of \$7,473	86	172
1.81% NLHC loan on the Gateway Apartments Project, due in 2027, repayable in monthly blended instalments of \$6,382 amortized until March 2027	366	435

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(in thousands of dollars)

7. Long term debt (cont'd)	<u>2019</u>	<u>2018</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	445	482
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	214	238
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	462	508
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	<u>3,724</u>	<u>4,005</u>
	<u>\$ 6,927</u>	<u>\$ 7,869</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 \$3,319 (2018 - \$3,972).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$3,924 (2018 - \$4,617).

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		
2020	\$	918
2021		784
2022		687
2023		700
2024		<u>742</u>
	<u>\$</u>	<u>3,831</u>

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2019
(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, 2019								
Cost								
Opening balance	\$ 1,102	\$ 435	\$ 67,266	\$ 1,142	\$ 158,119	\$ 2,388	\$ 232	\$ 230,684
Additions	-	-	1,544	-	2,597	85	-	4,226
Disposals	-	-	-	-	-	-	-	-
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	-	4	1,865	20	6,008	155	1	8,053
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	<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>

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2019
(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, 2018								
Cost								
Opening balance	\$ 1,102	\$ 435	\$ 67,540	\$ 1,142	\$ 152,780	\$ 2,330	\$ 232	\$ 225,561
Additions	-	-	933	-	5,339	58	-	6,330
Disposals	-	-	(1,207)	-	-	-	-	(1,207)
Closing balance	<u>1,102</u>	<u>435</u>	<u>67,266</u>	<u>1,142</u>	<u>158,119</u>	<u>2,388</u>	<u>232</u>	<u>230,684</u>
Accumulated amortization								
Opening balance	-	266	42,088	798	109,507	1,477	227	154,366
Additions	-	6	1,934	21	6,382	176	1	8,520
Disposals	-	-	(825)	-	-	-	-	(825)
Closing balance	-	<u>275</u>	<u>43,197</u>	<u>819</u>	<u>115,889</u>	<u>1,653</u>	<u>228</u>	<u>162,061</u>
Net book value	<u>\$ 1,102</u>	<u>\$ 160</u>	<u>\$ 24,069</u>	<u>\$ 323</u>	<u>\$ 42,230</u>	<u>\$ 735</u>	<u>\$ 4</u>	<u>\$ 68,623</u>

Book value of capitalized items that have not been amortized is \$4,794 (2018 - \$3,849)

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(in thousands of dollars)

10. Inventory	<u>2019</u>	<u>2018</u>
Dietary	\$ 130	\$ 145
Pharmacy	2,066	1,746
Supplies	<u>2,951</u>	<u>3,138</u>
	<u>\$ 5,147</u>	<u>\$ 5,029</u>

11. Contingencies and commitments

Claims

As of March 31, 2019, 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

2020	\$ 5,928
2021	2,947
2022	2,242
2023	1,040
2024	<u>102</u>
	<u>\$ 12,259</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(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, 2019:

Original budgeted provincial plan revenue	\$ 307,188
Add: Net provincial plan budget adjustments	<u>28,230</u>
Ending budgeted provincial plan revenue	335,418
Original budgeted other revenue	48,349
Add: Net budget increases - other	<u>657</u>
Ending budgeted revenue	<u>\$ 384,424</u>
Original budgeted salary expenditure	\$ 219,212
Add: Net salary budget adjustments	<u>24,002</u>
Ending budgeted salary expenditure	<u>243,214</u>
Original budgeted supply expenditure	151,402
Add: Net supply budget adjustments	<u>1,910</u>
	<u>153,312</u>
Ending budgeted expenditures	<u>\$ 396,526</u>

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2019

(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 \$18,500. 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

On May 31, 2019, there was an announcement with respect to the curtailment of severance for NLNU. Management is currently estimating the impact on the severance liability as presented in Note 6 to the financial statements.

Western Regional Health Authority

Consolidated expenditures – operating/shareable

Schedule I

Year ended March 31 (in thousands of dollars)	2019	2018
Administration		
General administration	\$ 8,523	\$ 6,754
Finance	3,923	3,454
Personnel services	4,614	3,991
System support	6,785	5,659
Other administrative	<u>6,578</u>	<u>6,252</u>
	<u>30,423</u>	<u>26,110</u>
Support services		
Housekeeping	11,451	9,959
Laundry and linen	3,268	2,551
Plant services	17,488	15,600
Patient food services	14,216	12,842
Other support services	<u>17,372</u>	<u>15,954</u>
	<u>63,795</u>	<u>56,906</u>
Nursing inpatient services		
Nursing inpatient services – acute	61,091	59,116
Medical services	22,358	21,594
Nursing inpatient services – long term care	<u>31,658</u>	<u>29,467</u>
	<u>115,107</u>	<u>110,177</u>
Ambulatory care services	<u>31,371</u>	<u>28,733</u>
Diagnostic and therapeutic services		
Clinical laboratory	13,061	11,944
Diagnostic imaging	10,714	9,604
Other diagnostic and therapeutic	<u>16,599</u>	<u>14,296</u>
	<u>40,374</u>	<u>35,844</u>

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

Year ended March 31 (in thousands of dollars)	2019	2018
Community and social services		
Mental health and addictions	10,345	9,736
Community support programs	89,944	80,037
Family support programs	4,251	4,059
Health promotion and protection program	<u>6,563</u>	<u>6,111</u>
	<u>111,103</u>	<u>99,943</u>
Education	<u>5,650</u>	<u>5,487</u>
Undistributed	<u>3,514</u>	<u>3,880</u>
Shareable amortization	<u>505</u>	<u>477</u>
Total expenditures	<u>\$ 401,842</u>	<u>\$ 367,557</u>

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31 (in thousands of dollars)	2019	2018
Revenue		
Provincial plan – operating grant	\$ 335,418	\$ 320,745
Capital grant – provincial	3,754	5,465
Capital grant – other	532	801
MCP physician revenue	19,383	18,581
National child benefit	951	1,377
Early childhood development	359	359
Inpatient	1,515	1,569
Outpatient	2,313	2,304
Resident revenue – long term care	8,075	8,066
Mortgage interest subsidy	21	21
Food service	1,775	1,736
Other recoveries	11,369	9,290
Other	<u>3,210</u>	<u>4,531</u>
Total revenue	<u>388,675</u>	<u>374,845</u>
Expenditures		
Worked and benefit salaries and contributions	211,628	188,770
Benefit contributions	<u>36,352</u>	<u>35,192</u>
	<u>247,980</u>	<u>223,962</u>
Supplies – plant operations and maintenance	6,486	5,676
Supplies – drugs	10,613	8,718
Supplies – medical and surgical	11,732	12,404
Supplies – other	<u>13,578</u>	<u>13,151</u>
	<u>42,409</u>	<u>39,949</u>
Direct client costs – mental health and addictions	613	678
Direct client costs – community support	66,679	59,138
Direct client costs – family support	<u>1,677</u>	<u>1,840</u>
	<u>68,969</u>	<u>61,656</u>
Other shareable expenses	<u>41,786</u>	<u>41,310</u>

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting
Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	2019	2018
Expenditures (cont'd)		
Long term debt – interest	64	68
Long term debt – principal	224	215
Capital lease – interest	126	135
Capital lease – principal	<u>281</u>	<u>262</u>
	<u>695</u>	<u>680</u>
 Total expenditures	 <u>401,839</u>	 <u>367,557</u>
Less: Capital grant – provincial	<u>3,754</u>	<u>5,465</u>
Less: Capital grant – other	<u>532</u>	<u>801</u>
(Deficit) surplus for government reporting	(17,450)	1,022
 Long term debt – principal	 224	 215
Capital lease – principal	<u>281</u>	<u>262</u>
(Deficit) surplus inclusive of other operations	(16,945)	1,499
Shareable amortization	<u>505</u>	<u>477</u>
(Deficit) surplus before non-shareable items	<u>(17,450)</u>	<u>1,022</u>
Non-shareable items		
Amortization expense	7,167	7,598
Accrued vacation expense – decrease	(423)	(209)
Accrued severance expense – (decrease) increase	(20,652)	1,822
Accrued sick expense – increase	224	469
Cottages	(154)	(98)
Capital grant – provincial	(3,754)	(5,465)
Capital grant – other	<u>(532)</u>	<u>(801)</u>
	<u>(18,124)</u>	<u>3,316</u>
Surplus (deficit) as per Statement of operations	<u>\$ 674</u>	<u>\$ (2,294)</u>

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

Year ended March 31 (in thousands of dollars)	2019	2018
Sources of funds		
Provincial capital equipment grant for current year	\$ 3,939	\$ 4,114
Provincial facility capital grant in current year	2,840	1,775
Add: Deferred capital grant from prior year	8,653	8,655
Less: Capital facility grant reallocated for operating fund purchases	(120)	(426)
Less: Deferred capital grant from current year	<u>(11,558)</u>	<u>(8,653)</u>
	3,754	5,465
Other contributions		
Foundations, auxiliaries and other	<u>532</u>	<u>801</u>
Total funding	<u>4,286</u>	<u>6,266</u>
Capital expenditures		
Asset, building and land	1,544	933
Asset and equipment	<u>2,682</u>	<u>5,397</u>
Total expenditures	<u>4,226</u>	<u>6,330</u>
Surplus (deficit) on capital purchases	<u>\$ 60</u>	<u>\$ (64)</u>

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

Year ended March 31 (in thousands of dollars)	2019	2018
Accumulated operating deficit		
Current assets		
Cash and cash equivalents	\$ -	\$ 482
Temporary investments	130	125
Accounts receivable	15,589	17,990
Due from associated funds	2,018	1,811
Inventory	5,147	5,029
Prepaid expenses	3,794	3,391
Other	<u>(104)</u>	<u>(106)</u>
Total assets	<u>26,574</u>	<u>28,722</u>
Current liabilities		
Bank indebtedness	8,864	-
Accounts payable and accrued liabilities	29,918	26,665
Deferred contributions – operating	4,374	4,154
Deferred contributions – capital	<u>11,558</u>	<u>8,653</u>
Total current liabilities	<u>54,714</u>	<u>39,472</u>
Accumulated operating deficit	<u>\$ (28,140)</u>	<u>\$ (10,750)</u>
Reconciliation of operating deficit		
Accumulated operating deficit – beginning of year	\$ (10,750)	\$ (12,258)
Add: Net operating (deficit) surplus per schedule II	(17,450)	1,022
Add: Transfer of restricted funds to operations	-	125
Add: Proceeds on sale of building	-	425
Add: Net surplus (deficit) on capital purchases per schedule III	<u>60</u>	<u>(64)</u>
Accumulated operating deficit – end of year	<u>(28,140)</u>	<u>(10,750)</u>
Less: Net surplus on capital purchases – prior years	1,305	1,369
Less: Net deficit on capital purchases – 2018	-	(64)
Less: Net surplus on capital purchases – 2019	<u>60</u>	<u>-</u>
Accumulated operating deficit – per Department of Health and Community Services	<u>\$ (29,505)</u>	<u>\$ (12,055)</u>

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

Year ended March 31 (in thousands of dollars)	2019	2018
Accumulated operating deficit – end of year per Schedule IVA	<u>\$ (28,140)</u>	<u>\$ (10,750)</u>
Adjustments:		
Intercompany – cottages elimination	(1,641)	(1,561)
Cottages – current assets	529	339
Cottages – current liabilities	(123)	(88)
Other assets	104	106
Replacement reserve	142	135
Vacation pay accrual	(8,019)	(8,442)
Severance pay accrual	(13,654)	(34,324)
Sick pay accrual	(18,691)	(18,467)
Long term debt	(6,927)	(7,869)
Tangible capital assets	<u>64,796</u>	<u>68,623</u>
	<u>16,516</u>	<u>(1,548)</u>
Accumulated deficit per Statement of financial position	<u>\$ (11,624)</u>	<u>\$ (12,298)</u>