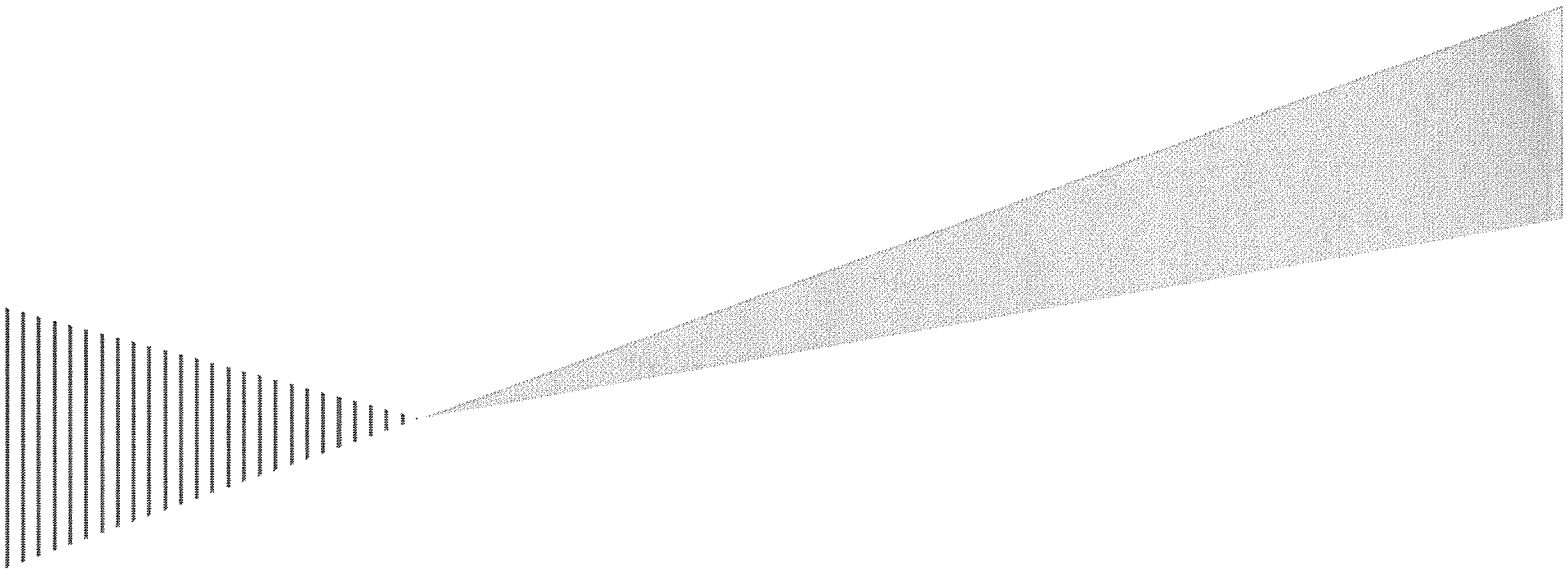


Consolidated financial statements

Labrador-Grenfell Regional Health Authority

March 31, 2016



Building a better
working world

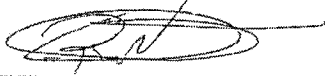
Statement of management's responsibility

The accompanying consolidated financial statements of the Labrador-Grenfell Regional Health Authority [the "Authority"] as at and for the year ended March 31, 2016 have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the consolidated financial statements.

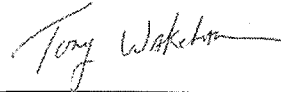
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management developed and maintains systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, proper records are maintained, assets are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

The Board of Trustees [the "Board"] is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee [the "Committee"]. The Committee meets with management and the external auditors to review any significant accounting and auditing matters, to discuss the results of audit examinations, and to review the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements.

The external auditors, Ernst & Young LLP, conduct an independent examination in accordance with Canadian generally accepted auditing standards and express an opinion on the consolidated financial statements for the year ended March 31, 2016.



Ray Norman
Board Chair



Tony Wakeham
Chief Executive Officer

Independent auditors' report

To the Board of Trustees of the
Labrador-Grenfell Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Labrador-Grenfell Regional Health Authority**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus (deficit), changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **Labrador-Grenfell Regional Health Authority** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

St. John's
October 3, 2016

Chartered Professional Accountants



Labrador-Grenfell Regional Health Authority


Consolidated statement of financial position

As at March 31

	2016	2015
	\$	\$
Financial assets		
Cash	2,057,685	1,836,625
Restricted cash <i>[note 3]</i>	1,728,095	1,702,545
Accounts receivable <i>[note 4]</i>	3,428,557	2,375,483
Due from Government/other Government entities <i>[note 5]</i>	8,786,634	27,531,424
Inventories for resale	925,059	916,436
	<u>16,926,030</u>	<u>34,362,513</u>
Liabilities		
Bank overdraft <i>[note 7]</i>	3,786,800	3,124,459
Demand credit facility <i>[note 7]</i>	7,765,000	14,970,000
Accounts payable and accrued liabilities <i>[note 8]</i>	14,753,484	14,473,323
Due to Government/other Government entities <i>[note 9]</i>	825,866	686,095
Employee future benefits		
Accrued severance pay <i>[note 10]</i>	14,067,674	13,259,904
Accrued sick leave <i>[note 10]</i>	7,875,107	7,544,611
Accrued vacation pay and other accrued benefits	7,990,313	7,468,376
Deferred contributions <i>[note 11]</i>		
Deferred capital grants	13,495,246	17,701,367
Deferred operating contributions	4,386,680	4,022,273
Special purpose funds	1,215,103	747,649
National Child Benefit ["NCB"] initiatives	914,937	1,118,594
Long-term debt <i>[note 12]</i>	668,093	783,301
	<u>77,744,303</u>	<u>85,899,952</u>
Net debt	<u>(60,818,273)</u>	<u>(51,537,439)</u>
Non-financial assets		
Tangible capital assets, net <i>[note 6]</i>	56,370,976	55,626,926
Prepaid expenses	2,628,854	3,033,522
Supplies inventory	1,619,619	1,570,617
	<u>60,619,449</u>	<u>60,231,065</u>
Accumulated surplus (deficit)	<u>(198,824)</u>	<u>8,693,626</u>
Contractual obligations <i>[note 13]</i>		
Contingencies <i>[note 14]</i>		

See accompanying notes

Approved by the Board:

 Trustee

 Trustee

Labrador-Grenfell Regional Health Authority

**Consolidated statement of operations and
accumulated surplus (deficit)**

Year ended March 31

	Budget	2016	2015
	\$	\$	\$
	<i>[note 18]</i>		
Revenue			
Provincial plan – operating	139,759,765	139,640,524	136,136,023
Medical care plan	23,531,925	19,447,926	19,210,201
Provincial capital grant	—	7,936,214	17,106,089
Outpatient	2,851,900	3,045,070	2,744,507
Inpatient	896,750	1,321,910	685,529
Long-term care	1,649,485	1,647,568	1,607,131
Transportation and works	1,285,500	1,285,500	1,285,500
NCB	1,182,046	874,854	817,495
Apartment complexes	—	261,478	311,935
Foundation	—	263,978	308,754
Other	6,676,460	7,374,518	8,468,841
	177,833,831	183,099,540	188,682,005
Expenses <i>[note 16]</i>			
Support services	32,051,896	36,522,023	32,228,104
Community and social services	33,153,771	31,487,155	29,534,856
Nursing inpatient services	29,168,581	31,071,640	30,891,665
Medical services	26,337,709	22,563,096	21,509,462
Ambulatory care services	21,967,370	24,289,643	22,624,812
Diagnostic and therapeutic services	18,074,235	19,640,119	17,482,255
Administration	16,138,969	16,419,261	15,928,504
Amortization of tangible capital assets <i>[note 6]</i>	—	7,192,164	6,844,407
Education & research	941,300	978,946	623,735
Accrued severance pay	—	807,770	528,810
Accrued vacation pay	—	521,936	553,412
Accrued sick leave	—	330,496	165,411
Apartment complexes	—	156,157	220,316
Foundation	—	11,584	10,178
	177,833,831	191,991,990	179,145,927
Annual (deficit) surplus	—	(8,892,450)	9,536,078
Accumulated surplus (deficit), beginning of year	—	8,693,626	(842,452)
Accumulated (deficit) surplus, end of year	—	(198,824)	8,693,626

See accompanying notes

Labrador-Grenfell Regional Health Authority

Consolidated statement of changes in net debt

Year ended March 31

	Budget	2016	2015
	\$	\$	\$
	<i>[note 18]</i>		
Annual surplus (deficit)	—	(8,892,450)	9,536,078
Changes in tangible capital assets			
Acquisition of tangible capital assets	—	(7,936,214)	(17,444,118)
Amortization of tangible capital assets	—	7,192,164	6,844,410
Increase in net book value of tangible capital assets	—	(744,050)	(10,599,708)
Changes in other non-financial assets			
Net decrease (increase) in prepaid expenses	—	404,668	(15,686)
Net increase in supplies inventory	—	(49,002)	(142,298)
Decrease (increase) in other non-financial assets	—	355,666	(157,984)
Increase in net debt	—	(9,280,834)	(1,221,614)
Net debt, beginning of year	—	(51,537,439)	(50,315,825)
Net debt, end of year	—	(60,818,273)	(51,537,439)

See accompanying notes

Labrador-Grenfell Regional Health Authority

Consolidated statement of cash flows

Year ended March 31

	2016	2015
	\$	\$
Operating activities		
Annual (deficit) surplus	(8,892,450)	9,536,078
Adjustments for non-cash items		
Amortization of tangible capital assets	7,192,164	6,844,410
Increase in accrued severance pay	807,770	530,527
Increase in accrued sick leave	330,496	165,411
Net change in non-cash assets and liabilities related to operations <i>[note 15]</i>	15,402,711	(14,388,807)
Cash provided by operating transactions	14,840,691	2,687,619
Capital transactions		
Acquisition of tangible capital assets	(7,936,214)	(17,444,118)
Cash used in capital transactions	(7,936,214)	(17,444,118)
Investing transactions		
Changes to restricted cash	(25,550)	(9,719)
Cash used in investing transactions	(25,550)	(9,719)
Financing transactions		
Demand credit facility	(7,205,000)	14,970,000
Repayment of long-term debt	(115,208)	(113,369)
Cash provided by (used in) financing transactions	(7,320,208)	14,856,631
Net (increase) decrease in bank indebtedness during the year	(441,281)	90,413
Bank indebtedness, beginning of year	(1,287,834)	(1,378,247)
Bank indebtedness, end of year	(1,729,115)	(1,287,834)
Bank indebtedness comprised of:		
Cash	2,057,685	1,836,625
Bank overdraft	(3,786,800)	(3,124,459)
Bank indebtedness	(1,729,115)	(1,287,834)

See accompanying notes

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

1. Nature of operations

The Labrador-Grenfell Regional Health Authority ["Labrador-Grenfell" or the "Authority"] manages and operates all health facilities, services and programs on the Northern peninsula and all of Labrador in the Province of Newfoundland and Labrador. The Authority manages and controls the operations of the following facilities:

- Labrador Health Centre, Happy Valley-Goose Bay
- Harry L. Paddon Memorial Home, Happy Valley-Goose Bay
- Captain William Jackman Memorial Hospital, Labrador City
- Charles S. Curtis Memorial Hospital, St. Anthony
- John M. Gray Centre, St. Anthony

Labrador-Grenfell also manages and controls the operations of all medical clinics, nursing stations, community health centers, facilities programs and other services in the geographic area. The Authority has a mandate to work to improve the overall health of the population through its focus on public health as well as on health promotion and prevention initiatives. In addition to the provision of comprehensive health care services, Labrador-Grenfell also provides education and research in partnership with all stakeholders.

The operations of the Authority are primarily funded by the Government of Newfoundland and Labrador [the "Government"].

Labrador-Grenfell is incorporated under the *Regional Health Authorities Act* of Newfoundland and Labrador and is a registered charitable organization under the provisions of the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

2. Summary of significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ["PSAS"] established by the Public Sector Accounting Standards Board of the Chartered Professional Accountants of Canada.

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity, which is composed of all organizations that are controlled by the Authority. These organizations are listed under basis of consolidation. Trusts administered by the Authority are not included in the consolidated statement of financial position [note 17].

The Authority has also prepared separate non-consolidated financial statements for the operations of the operating fund of Labrador-Grenfell.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

Basis of consolidation

The Authority controls The St. Anthony Interfaith Home 12 Unit Apartment Complex [the "12-unit"], The St. Anthony Interfaith Home 20 Unit Apartment Complex [the "20-unit"], and the Grenfell Foundation Incorporated [the "Foundation"]. The consolidated financial statements of the Authority include the Labrador-Grenfell Operating Fund, the 12-unit, the 20-unit and the Foundation [collectively referred to herein as "Labrador-Grenfell" or the "Authority"]. All inter-entity assets and liabilities and expenses and revenue have been eliminated.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities, but are employed to deliver healthcare services, may be consumed in normal operations and are not for resale.

Cash, bank overdraft and restricted cash

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash or bank overdraft, respectively. Cash also includes cash on hand.

Restricted cash relates to amounts held for special purpose funds and endowment funds.

Inventories for resale

Inventories for resale include pharmaceuticals and are recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Employee future benefits

Accrued severance pay

Employees of the Authority are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continuous service with the Authority or another public sector employer. Severance pay is payable when the employee ceases employment with the Authority or the public sector employer, upon retirement, resignation or termination without cause. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Government's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees, which is 13 years. Adjustments to the liability arising from plan amendments are recognized immediately.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

Accrued sick leave

Employees of the Authority are entitled to sick leave benefits that accumulate but do not vest. In accordance with PSAS for post-employment benefits and compensated balances, the Authority recognizes the liability in the period in which the employee renders service. The obligation is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Government's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees, which is 13 years. Adjustments to the liability arising from plan amendments are recognized immediately.

Accrued vacation pay and other accrued benefits

Vacation pay and other accrued benefits are accrued for all employees as entitlement is earned.

Pension costs

The employees of the Authority are included in the Public Service Pension Plan ["PSPP"], a multi-employer defined benefit plan, and the Government Money Purchase Plan administered by the Government [collectively the "Plans"]. The Government also provides for the continuation of certain dental and medical benefits for retirees. The Government determines the required plan contributions annually. Contributions to the Plans are required from both the employees and Labrador-Grenfell. The annual contributions for pensions are recognized as expense as incurred and amounted to \$6,358,236 for the year ended March 31, 2016 [2015 – \$5,099,403].

During the year ended March 31, 2015, changes were made to the PSPP by the plan administrators including an increase in retirement ages, changes to post retirement indexing, and increased contributions from both PSPP members and the Authority. These changes were effective January 1, 2015. Labrador-Grenfell is neither obligated for any unfunded liability, nor entitled to any surplus that may arise in the PSPP. The Authority's share of the future contributions are dependent upon the funded position of the PSPP.

The costs of insured benefits reflected in these consolidated financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.

Tangible capital assets

The Authority utilizes certain land, buildings and equipment, with the title resting with the Government and, consequently, these assets are not recorded as tangible capital assets. The Government does not charge the Authority any amounts for the use of such assets. Certain additions and improvements made to such tangible capital assets are paid for by the Authority and are reflected in the consolidated financial statements of the Authority.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

Tangible capital assets are recorded at historical cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. The cost, less estimated salvage value of the tangible capital assets, excluding land, is amortized on a declining balance basis over their estimated useful lives, as follows:

Buildings	5%
Leasehold improvements	5%
Equipment and vehicles	20%
Land improvements	20%

Contributed capital assets represent assets that are donated or contributed to the Authority by third parties. Revenue is recognized in the year the assets are contributed and have been recognized at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case the assets are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Gains and losses on disposal of individual assets are recognized in operations in the period of disposal.

Works of art, historical treasures, intangible assets and items inherited by right of the Crown, such as artwork displayed in the facilities, are not recognized in these consolidated financial statements.

Construction in progress is not amortized until the project is substantially complete, at which time the project costs are transferred to the appropriate asset class and amortized accordingly.

Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus (deficit) throughout.

Supplies inventory

Supplies inventory includes medical, surgical, general supplies, fuel oil and pharmaceuticals.

Medical surgical and general supplies are valued at the lower of cost, determined on an average cost basis, and net realizable value.

Fuel oil and pharmaceuticals are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

Revenue

Provincial plan revenue without eligibility criteria and stipulations restricting their use are recognized as revenue when the Government transfers are authorized.

Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Authority, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Medical Care Plan ["MCP"], inpatient, outpatient and long-term care revenue is recognized in the period services are provided.

The Authority is funded by the Department of Health and Community Services [the "Department"] for the total of its operating costs, after deduction of specified revenue and expenses, to the extent of the approved budget. The final amount to be received by the Authority for a particular fiscal year will not be determined until the Department has completed its review of the Authority's consolidated financial statements. Adjustments resulting from the Department's review and final position statement will be considered by the Authority and reflected in the period of assessment. There were no changes from the previous year.

Apartment complexes revenue includes rental revenue, subsidies and other Government assistance related to operations from The St. Anthony Interfaith Home 12-Unit Apartment Complex and The St. Anthony Interfaith Home 20-Unit Apartment Complex, and is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Foundation revenue follows the deferral method of accounting for contributions, which include grants and donations. Grants, bequests and other donations are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims.

Other revenue includes, but is not limited to, drug revenue, rental revenue from accommodations and dental revenue and salary recoveries from Workplace, Health and Safety and Compensation Commission of Newfoundland and Labrador ["WorkplaceNL"]. Rebates and salary recovery amounts are recorded once the amounts to be recorded are known and confirmed by WorkplaceNL.

Expenses

Expenses are recorded on an accrual basis as they are incurred and measurable when goods are consumed or services received.

Contributed services

Volunteers contribute a significant amount of their time each year assisting the Authority in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these consolidated financial statements.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Authority determines the classification of its financial instruments at initial recognition.

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the instrument.

Cash, bank overdraft and the demand credit facility are classified at fair value. Other financial instruments, including accounts receivable, accounts payable and accrued liabilities, and due to/from Government/other Government entities are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Use of estimates

The preparation of consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include the assumptions used in the valuation of employee future benefits and the useful life of tangible capital assets. Actual results could differ from these estimates.

3. Restricted cash

Restricted cash is as follows:

	2016	2015
	\$	\$
Deferred contributions – special purpose funds	808,101	802,102
Endowment fund	787,331	778,231
Restricted cash held by Newfoundland and Labrador Housing Corporation for replacement reserve	132,663	122,212
	<u>1,728,095</u>	<u>1,702,545</u>

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

4. Accounts receivable

Accounts receivable are as follows:

	2016					
	Total	Current	Past due			
			1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days
\$	\$	\$	\$	\$	\$	
Patient	4,139,480	932,290	335,426	527,988	99,060	2,244,716
Other	512,285	512,285	—	—	—	—
Gross receivables	4,651,765	1,444,575	335,426	527,988	99,060	2,244,716
Less impairment allowance	1,223,208	—	—	—	—	1,223,208
Net accounts receivable	3,428,557	1,444,575	335,426	527,988	99,060	1,021,508

	2015					
	Total	Current	Past due			
			1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days
\$	\$	\$	\$	\$	\$	
Patient	3,178,837	139,258	647,574	454,232	262,756	1,675,017
Other	260,946	260,946	—	—	—	—
Gross receivables	3,439,783	400,204	647,574	454,232	262,756	1,675,017
Less impairment allowance	1,064,300	—	—	—	—	1,064,300
Net accounts receivable	2,375,483	400,204	647,574	454,232	262,756	610,717

5. Due from Government/other Government entities

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

	2016	2015
	\$	\$
The Government	6,535,510	18,348,396
Department of Child, Youth and Family Services	957,294	7,722,149
Harmonized sales tax recoverable	1,293,830	1,460,879
	8,786,634	27,531,424

Outstanding balances at year-end are unsecured and interest free, and settlement occurs in cash. For the year ended March 31, 2016, the Authority has not recorded any impairment of receivables relating to the Government [2015 – nil].

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

6. Tangible capital assets

Tangible capital assets consist of the following:

	Land \$	Land improvements \$	Construction in progress \$	Buildings \$	Leasehold improvements \$	Equipment and vehicles \$	Total \$
2016							
Cost							
Opening balance	36,203	216,064	1,155,887	37,218,260	10,358,663	86,617,321	135,602,398
Additions	—	—	4,258,453	—	—	3,677,761	7,936,214
Transfers	—	—	(4,617,783)	110,548	4,507,235	—	—
Closing balance	36,203	216,064	796,557	37,328,808	14,865,898	90,295,082	143,538,612
Accumulated amortization							
Opening balance	—	177,500	—	19,198,009	372,159	60,227,804	79,975,472
Amortization	—	3,144	—	933,379	612,050	5,643,591	7,192,164
Closing balance	—	180,644	—	20,131,388	984,209	65,871,395	87,167,636
Net book value	36,203	35,420	796,557	17,197,420	13,881,689	24,423,687	56,370,976
2015							
Cost							
Opening balance	36,203	216,064	5,514,407	37,302,922	223,678	74,949,669	118,242,943
Additions	—	—	5,803,684	—	—	11,667,652	17,471,336
Transfers	—	—	(10,134,985)	—	10,134,985	—	—
Disposals	—	—	(27,219)	(84,662)	—	—	(111,881)
Closing balance	36,203	216,064	1,155,887	37,218,260	10,358,663	86,617,321	135,602,398
Accumulated amortization							
Opening balance	—	172,434	—	17,647,964	113,263	55,282,066	73,215,727
Amortization	—	5,066	—	1,634,707	258,896	4,945,738	6,844,407
Disposals	—	—	—	(84,662)	—	—	(84,662)
Closing balance	—	177,500	—	19,198,009	372,159	60,227,804	79,975,472
Net book value	36,203	38,564	1,155,887	18,020,251	9,986,504	26,389,517	55,626,926

The Authority has works of art displayed in its facilities valued at \$195,714 that are not recognized in these consolidated financial statements as these assets are the legal property of the Government.

Labrador-Grenfell Regional Health Authority

Notes to consolidated financial statements

March 31, 2016

7. Bank overdraft and demand credit facility

The Authority was in a bank overdraft position of \$3,786,800 as at March 2016 [2015 – \$3,124,459].

In addition, the Authority has a demand credit facility [the “facility”] with a Canadian chartered bank for a maximum amount of \$20,000,000, bearing interest at the bank’s prime rate plus 0.25%. The relevant prime rate was 2.70% as at March 31, 2016 [2015 – 2.85%]. As at March 31, 2016 the Authority has drawn \$7,765,000 in funds from the facility [2015 – \$14,970,000]. The effective interest rate for the year ended March 31, 2016 was 3.03% [2015 – 3.13%].

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are as follows:

	2016 \$	2015 \$
Accounts payable and accrued liabilities	7,738,021	8,378,058
Salaries and wages payable	7,015,463	6,095,265
	<u>14,753,484</u>	<u>14,473,323</u>

9. Due to Government/other Government entities

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

	2016 \$	2015 \$
Government remittances	732,164	591,478
Other due to Government	93,702	94,617
	<u>825,866</u>	<u>686,095</u>

10. Employee future benefits

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

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The Authority also provides its employees with sick leave benefits that accumulate, but do not vest, as follows:

	Accumulated rate	Maximum accumulation	Maximum utilization per 20-year period
NLNU hired up to December 1, 2006	15 hours per 162.5 hours	1,800 hours	N/A
NLNU hired after December 1, 2006	7.5 hours per 162.5 hours	1,800 hours	1,800 hours
CUPE/NAPE hired up to May 4, 2004	2 days per month	N/A	480 days
CUPE/NAPE hired after May 4, 2004	1 day per month	N/A	240 days
CUPE/NAPE hired up to May 4, 2004 – 12-hour shifts	15 hours per 162.5 hours	N/A	3,600 hours
CUPE/NAPE hired after May 4, 2004 – 12-hour shifts	7.5 hours per 162.5 hours	N/A	1,800 hours

In addition, while management employees do not accrue additional sick leave days, they may use accrued sick leave banked after first using two days of paid leave.

The accrued benefit obligations for post-employment benefit plans as at March 31, 2016 are based on an actuarial valuation for accounting purposes as at March 31, 2015, and an extrapolation of that valuation has been performed to March 31, 2016.

The actuarial valuation is based on assumptions about future events. Significant actuarial assumptions used in measuring the accrued severance pay and accrued sick leave liabilities are as follows:

Discount rate – liability	3.70% as at March 31, 2016 2.90% as at March 31, 2015
Discount rate – benefit expense	2.90% in fiscal 2016 3.90% in fiscal 2015
Rate of compensation increase	3.00% plus 0.75% for promotions and merit as at March 31, 2016 nil for 2013, 2% for 2014, 3% for 2015, and 3.25% thereafter plus 0.75% or promotions and merit as at March 31, 2015

[a] Severance pay and sick leave liabilities

	Severance \$	Sick leave \$	2016 \$
Accrued benefit liability, beginning of year	13,259,904	7,544,611	20,804,515
Employee future benefit expenses	1,841,470	1,451,967	3,293,437
Less: benefits paid	(1,033,700)	(1,121,471)	(2,155,171)
Accrued benefit liability, end of year	14,067,674	7,875,107	21,942,781

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	Severance \$	Sick leave \$	2015 \$
Accrued benefit liability, beginning of year	12,729,377	7,379,200	20,108,577
Employee future benefit expenses	1,539,778	1,231,478	2,771,256
Less: benefits paid	(1,009,251)	(1,066,067)	(2,075,318)
Accrued benefit liability, end of year	13,259,904	7,544,611	20,804,515

[b] Severance pay and sick leave expenses

	Severance \$	Sick leave \$	2016 \$
Current service cost	1,226,398	936,376	2,162,774
Interest on accrued benefit obligation	443,175	295,519	738,694
Amortization of actuarial loss	171,897	220,072	391,969
Employee future benefit expenses	1,841,470	1,451,967	3,293,437

	Severance \$	Sick leave \$	2015 \$
Current service cost	979,003	928,902	1,907,905
Interest on accrued benefit obligation	510,988	288,186	799,174
Amortization of actuarial loss	49,787	14,390	64,177
Employee future benefit expenses	1,539,778	1,231,478	2,771,256

During the year ended March 31, 2015, the assumptions for the retirement ages were changed for both plans. The retirement ages were adjusted to agree with the PSPP retirement ages set by the Government. These changes were effective January 1, 2015.

11. Deferred contributions

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

	2016			
	Balance, beginning of year \$	Receipts during the year \$	Recognized as revenue \$	Balance, end of year \$
Deferred operating contributions	4,022,273	3,253,782	2,889,375	4,386,680
NCB initiatives	1,118,594	671,197	874,854	914,937
Deferred capital grants	17,701,367	3,730,093	7,936,214	13,495,246
Special purpose funds	747,649	1,794,860	1,327,406	1,215,103
	23,589,883	9,449,932	13,027,849	20,011,966

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	2015			
	Balance, beginning of year \$	Receipts during the year \$	Recognized as revenue \$	Balance, end of year \$
Deferred operating contributions	4,433,766	2,850,914	3,262,407	4,022,273
NCB initiatives	1,830,642	105,447	817,495	1,118,594
Deferred capital grants	24,063,802	10,743,654	17,106,089	17,701,367
Special purpose funds	984,584	405,155	642,090	747,649
	<u>31,312,794</u>	<u>14,105,170</u>	<u>21,828,081</u>	<u>23,589,883</u>

12. Long-term debt

Long-term debt consists of the following:

	2016 \$	2015 \$
Newfoundland and Labrador Housing Corporation 2.86% first mortgage on land and building of 20-unit apartment complex, repayable \$6,537 monthly, interest included, and maturing January 2019.	211,570	283,221
Newfoundland and Labrador Housing Corporation 1.67% first mortgage on land and building of 12-unit apartment complex, repayable \$4,298 monthly, interest included, and maturing October 2025.	456,523	500,080
	<u>668,093</u>	<u>783,301</u>

Future principal repayments to maturity are as follows:

	\$
2017	117,421
2018	119,759
2019	109,505
2020	46,523
2021	<u>47,346</u>

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13. Contractual obligations

The Authority has entered into a number of multiple year operating leases and contracts for the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	2017	2018	2019
	\$	\$	\$
Contractual obligations			
Future operating lease payments – properties	1,079,178	761,336	422,805
Future operating lease payments – vehicles	17,934	16,126	4,724
Future operating lease payments – equipment service contracts	45,493	8,312	—
Service contracts	1,798,570	924,162	141,489
	<u>2,941,175</u>	<u>1,709,936</u>	<u>569,018</u>

14. Contingencies

A number of legal claims have been filed against the Authority. An estimate of loss, if any, relative to these matters is not determinable at this time and no provision has been recorded in the accounts for these matters. In the view of management, the Authority's insurance program adequately addresses the risk of loss in these matters.

15. Net change in non-cash assets and liabilities related to operations

The net change in non-cash assets and liabilities related to operations consists of the following:

	2016	2015
	\$	\$
Accounts receivable	(1,053,074)	653,475
Inventories for resale and supplies inventory	(57,625)	(142,298)
Prepaid expenses	404,668	(15,686)
Accounts payable and accrued liabilities	280,161	1,960,211
Accrued vacation pay and other accrued benefits	521,937	682,166
Deferred contributions – operating and NCB initiatives	160,750	(1,123,541)
Deferred contributions – capital grants and special purpose funds	(3,738,667)	(6,599,370)
Due from/to Government/other Government entities	18,884,561	(9,803,764)
	<u>15,402,711</u>	<u>(14,388,807)</u>

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16. Expenses by object

This disclosure supports the functional display of expenses provided in the consolidated statement of operations and accumulated surplus (deficit) by offering a different perspective of the expenses for the year. The following presents expenses by object, which outlines the major types of expenses incurred by the Authority during the year:

	2016	2015
	\$	\$
Salaries and benefits	128,070,892	121,400,722
Direct client costs	12,095,605	11,017,754
Other supplies	8,553,650	9,813,947
Medical and surgical supplies	8,050,271	7,220,010
Amortization of tangible capital assets <i>[note 6]</i>	7,192,164	6,844,407
Patient and staff travel	7,751,963	6,489,815
Equipment expenses	3,892,690	3,481,708
Grants	3,310,380	3,044,898
Referred out services	4,747,689	2,602,977
Insurance	809,646	1,234,591
Other	7,517,040	5,995,098
	<u>191,991,990</u>	<u>179,145,927</u>

17. Trusts under administration

Trusts administered by the Authority have not been included in these consolidated financial statements as they are excluded from the Government reporting entity. As at March 31, 2016, the balance of funds held in trust for long-term care residents was \$287,688 [2015 – \$271,263]. These trust funds consist of a monthly comfort allowance provided to residents who qualify for subsidization of their boarding and lodging fees.

18. Budget

The Authority prepares an initial budget for a fiscal period that is approved by the Board of Trustees and the Government [the "Original Budget"]. The Original Budget may change significantly throughout the year as it is updated to reflect the impact of all known service and program changes approved by the Government. Additional changes to services and programs that are initiated throughout the year would be funded through amendments to the Original Budget and an updated budget is prepared by the Authority. The updated budget shown below is the updated budget after all amendments that have been processed. These final updated budget amounts are reflected in the budget column as presented in the consolidated statement of operations and accumulated surplus (deficit) [the "Budget"].

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In addition to the impact of such service and program changes, the Original Budget and Budget prepared by the Authority do not include a budget for the operations of the 12-unit, 20-unit and Foundation, as such amounts are not considered by the Authority to significantly impact decisions or the allocation of resources. Further, the Original Budget and the Budget do not include amounts relating to certain non-cash and other items including tangible capital asset amortization, the recognition of provincial capital grants and other capital contributions, adjustments required to the accrued benefit obligations associated with severance pay and sick leave, and adjustments to accrued vacation pay and other accrued benefits as such amounts are not required by the Government to be included in the Original Budget or the Budget. The Authority also does not prepare a full budget in respect of changes in net debt as the Authority does not include an amount for tangible capital asset amortization or the acquisition of tangible capital assets in the Original Budget or the Budget.

The following presents a reconciliation between the Original Budget and the Budget as presented in the consolidated statement of operations and accumulated surplus (deficit) for the year ended March 31, 2016:

	Revenue \$	Expenses \$	Annual surplus \$
Original Budget	169,958,131	169,958,131	—
Adjustments during the year for service and program changes, net	4,073,700	4,073,700	—
Revised Original Budget	174,031,831	174,031,831	—
Stabilization fund approved by the Government Budget	3,802,000	3,802,000	—
	177,833,831	177,833,831	—

19. Related party transactions

The Authority's related party transactions occur between the Government and other Government entities. Other Government entities are those who report financial information to the Government. Transactions between the Authority and related parties are conducted as arm's length transactions.

The Authority handles payments for other government entities. As a result of these transactions, the Authority has a net asset of \$957,294 as at March 31, 2016 [2015 – \$7,722,149].

Transfers from the Government consist of funding payments made to the Authority for both operating and capital expenditures. Transfers from other related Government entities are payments made to the Authority from the Medical Care Plan and the Department of Transportation and Works. Transactions are settled at prevailing market prices under normal trade terms.

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The Authority had the following transfers from the Government and other Government controlled entities:

	2016	2015
	\$	\$
Transfers from the Government	148,451,592	154,397,636
Transfers from other Government entities	20,733,426	20,495,701
	<u>169,185,018</u>	<u>174,893,337</u>

Transfers to other Government authorities include PSPP and Government Money Purchase Pension Plan contributions of \$6,358,236 for the year ended March 31, 2016 [2015 – \$5,099,403].

20. Financial instruments and risk management

Financial risk factors

The Authority is exposed to a number of risks as a result of the financial instruments on its consolidated statement of financial position that can affect its operating performance. These risks include credit risk, interest rate risk and liquidity risk. The Authority's Board of Trustees has overall responsibility for the oversight of these risks and reviews the Authority's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Authority's credit risk is primarily attributable to accounts receivable. The Authority has a collection policy and monitoring processes intended to mitigate potential credit losses. Management believes that the credit risk with respect to accounts receivable is not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to cash flow interest rate risk on its floating interest rate for the demand credit facility and interest rate fair value risk on its fixed term long-term debt.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they become due. The Authority is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and demand credit facility. To the extent that the Authority does not believe it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party funding or from the Government, assuming these can be obtained.

21. Comparative figures

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation adopted for the current year.