



Consolidated Financial Statements

Western Regional Health Authority

March 31, 2017

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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 auditors' report

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To the Board of Trustees

Western Regional Health Authority

We have audited the accompanying consolidated financial statements of Western Regional Health Authority, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statement of operations, 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 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.

## Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 consolidated financial position of Western Regional Health Authority as at March 31, 2017 and the results of its consolidated operations and changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Corner Brook, Canada

June 15, 2017

Chartered Professional Accountants

# Western Regional Health Authority

## Consolidated statement of financial position

March 31 (in thousands of dollars)	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	\$ 11,711	\$ 11,782
Receivables (Note 3)	9,191	12,686
Trust funds on deposit (Note 4)	523	560
Replacement reserve fund	133	130
Restricted cash and investments	<u>163</u>	<u>154</u>
	<u>\$ 21,721</u>	<u>\$ 25,312</u>
<b>Liabilities</b>		
Payables and accruals	\$ 27,827	\$ 24,106
Vacation pay accrual	8,651	8,907
Severance pay accrual (Note 5)	32,502	31,804
Sick leave accrual (Note 5)	17,998	17,502
Deferred contributions		
– operating	6,319	8,775
Deferred contributions		
– capital	8,655	11,996
Long term debt (Notes 6 & 7)	8,847	9,102
Trust funds payable	<u>523</u>	<u>560</u>
	<u>\$ 111,322</u>	<u>\$ 112,752</u>
Net debt	<u>\$ (89,601)</u>	<u>\$ (87,440)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	\$ 71,195	\$ 72,188
Inventory (Note 9)	4,927	5,000
Prepaid expenses	<u>3,475</u>	<u>3,886</u>
	<u>79,597</u>	<u>81,074</u>
Accumulated deficit	<u>\$ (10,004)</u>	<u>\$ (6,366)</u>

Contingencies and commitments (Note 10)

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)	<b>Budget 2017 (Note 11)</b>	<b>Actual 2017</b>	<b>Actual 2016</b>
<b>Revenue</b>			
Provincial plan – operating grant	\$ 318,829	\$ 318,829	\$ 317,264
Capital grant – provincial	6,000	6,000	5,633
Capital grant – other	1,266	1,266	500
National Child Benefit	1,016	1,080	835
Early Childhood Development	359	359	359
MCP physician revenue	17,460	17,375	18,442
Inpatient	1,607	1,658	1,686
Outpatient	2,121	2,473	2,149
Resident revenue – long term care	7,687	7,794	7,476
Mortgage interest subsidy	23	22	23
Food service	1,672	1,656	1,728
Other recoveries	10,776	11,230	11,561
Other	<u>6,030</u>	<u>6,178</u>	<u>5,433</u>
	<u>374,846</u>	<u>375,920</u>	<u>373,089</u>
<b>Expenditures</b>			
Administration	27,823	27,340	27,127
Support services	57,712	57,842	59,630
Nursing inpatient services	89,761	90,780	87,804
Medical services	20,909	20,491	21,739
Ambulatory care services	28,756	28,505	30,212
Diagnostic and therapeutic services	36,349	35,782	36,239
Community and social services	97,880	95,149	92,637
Educational services	5,974	5,684	5,797
Undistributed	<u>1,931</u>	<u>8,750</u>	<u>5,659</u>
	<u>367,095</u>	<u>370,323</u>	<u>366,844</u>
Surplus	<u>\$ 7,751</u>	<u>\$ 5,597</u>	<u>\$ 6,245</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)	<b>Budget 2017 (Note 11)</b>	<b>Actual 2017</b>	Actual 2016
Adjustments for undernoted items			
– net expenses			
Amortization expense	\$ 8,225	\$ 8,225	\$ 7,835
Accrued vacation expense - decrease	(256)	(256)	(169)
Accrued severance expense - increase	694	698	1,369
Accrued sick expense – increase	496	496	642
Cottages - deficit	<u>53</u>	<u>72</u>	<u>165</u>
Total adjustments for above noted items	<u>9,212</u>	<u>9,235</u>	<u>9,842</u>
Deficit	(1,461)	(3,638)	(3,597)
Accumulated deficit, beginning of year	<u>(6,366)</u>	<u>(6,366)</u>	<u>(2,769)</u>
Accumulated deficit, end of year	<u>\$ (7,827)</u>	<u>\$ (10,004)</u>	<u>\$ (6,366)</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 2017 (Note 11)	Actual 2017	Actual 2016
Net debt, beginning of year	\$ (87,440)	\$ (87,440)	\$ (84,641)
Deficit for the year	(1,461)	(3,638)	(3,597)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(7,738)	(7,738)	(9,934)
Amortization of tangible capital assets	8,225	8,225	7,835
Amortization of tangible capital assets - Cottages	506	506	534
Increase (decrease) in net book value of tangible capital assets	993	993	(1,565)
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	-	411	2,470
Acquisition of inventories of supplies (net of usage)	-	73	(107)
Decrease in other non-financial assets	-	484	2,363
Increase in net debt	(468)	(2,161)	(2,799)
Net debt, end of year	\$ (87,908)	\$ (89,601)	\$ (87,440)

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)	2017	2016
<b>Operating</b>		
Annual deficit	\$ (3,638)	\$ (3,597)
Add (deduct) non-cash items:		
Amortization of capital assets	8,225	7,835
Amortization of capital assets - cottages	506	534
Accrued vacation expense – decrease	(256)	(169)
Accrued severance expense – increase	698	1,369
Accrued sick expense – increase	496	642
Changes in:		
Receivables	3,495	7,712
Inventory	73	(107)
Prepaid expenses	411	2,470
Deferred contributions - operating	(2,456)	(746)
Payables and accruals	<u>3,721</u>	<u>(7,319)</u>
Net cash provided by operating transactions	<u>11,275</u>	<u>8,624</u>
<b>Capital</b>		
Acquisitions of tangible capital assets	<u>(7,738)</u>	<u>(9,934)</u>
Net cash applied to capital transactions	<u>(7,738)</u>	<u>(9,934)</u>
<b>Financing</b>		
Capital lease	703	3,766
Repayment of long term debt	(958)	(733)
Decrease in capital contributions	<u>(3,341)</u>	<u>(2,055)</u>
Net cash (applied to) provided by financing transactions	<u>(3,596)</u>	<u>978</u>
<b>Investing</b>		
Restricted cash and investments	(9)	3
Replacement reserve fund	<u>(3)</u>	<u>(5)</u>
Net cash applied to investing transactions	<u>(12)</u>	<u>(2)</u>
Net cash applied to	(71)	(334)
Cash and cash equivalents - beginning of year	<u>11,782</u>	<u>12,116</u>
Cash and cash equivalents - end of year	<u>\$ 11,711</u>	<u>\$ 11,782</u>

See accompanying notes to the consolidated financial statements

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

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### 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.

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### 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.

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

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### 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 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, 2017

(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, 2017

(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>2017</u>		<u>2016</u>
GMPP	\$ 3,314	\$	3,367
PSPP	\$ 24,498	\$	24,251

#### 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.

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

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### 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.

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

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<b>3. Receivables</b>	<u>2017</u>	<u>2016</u>
Province of Newfoundland and Labrador		
Capital contributions	\$ 242	\$ 255
Provincial plan	249	1,698
MCP	2,572	2,650
Patient services	786	942
Foundations	934	350
Employees' pay and travel advances	314	266
Harmonized sales tax rebate	418	585
Department of veteran affairs	116	127
Child Youth and Family Services	1,781	2,362
Other	1,779	3,450
NLHC	-	1
	<u>\$ 9,191</u>	<u>\$ 12,686</u>

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#### 4. Trust funds

Funds belonging to patients of Western Health are being held in trust for the benefit of the patients.

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

### 5. Employee future benefits 2017 2016

Future employee benefits related to accrued severance and accrued sick obligations have been calculated based on an actuarial valuation completed on March 31, 2015 and extrapolated to March 31, 2017. 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	<b>3.75%</b>	3.75%
Discount rate	<b>3.70%</b>	3.70%

Based on actuarial valuation of the liability, at March 31, 2017 the results for sick leave are:

Accrued sick pay obligation, beginning	\$ 23,311	\$ 18,502
Current period benefit cost	1,799	1,883
Benefit payments	(2,668)	(2,590)
Interest on the accrued benefit obligations	846	711
Actuarial losses	<u>-</u>	<u>4,805</u>
Accrued sick pay obligations, at end	<u>\$ 23,288</u>	<u>\$ 23,311</u>

Based on actuarial valuation of the liability, at March 31, 2017 the results for severance are:

Accrued benefit obligation, beginning	\$ 30,072	\$ 34,020
Current period benefit cost	2,156	2,393
Benefit payments	(2,149)	(2,124)
Interest on the accrued benefit obligation	1,112	929
Actuarial gains	<u>-</u>	<u>(5,146)</u>
Accrued severance obligation, at end	<u>\$ 31,191</u>	<u>\$ 30,072</u>

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

#### Sick benefits:

Accrued benefit liability	\$ 17,998	\$ 17,502
Unamortized actuarial losses	<u>5,290</u>	<u>5,809</u>
Accrued benefit obligation	<u>\$ 23,288</u>	<u>\$ 23,311</u>

#### Severance benefits:

Accrued benefit liability	\$ 32,502	\$ 31,804
Unamortized actuarial gains	(1,670)	(1,732)
Severance paid subsequent to report data	<u>359</u>	<u>-</u>
Accrued benefit obligation	<u>\$ 31,191</u>	<u>\$ 30,072</u>

# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

<b>6. Long term debt</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of \$12,113	\$ 582	\$ 717
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of \$9,523	769	820
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of \$2,304	79	103
1.71 % CMHC loan on the Bay St. George Senior Citizens Home – 30 Unit cottages, maturing in 2017, repayable in monthly blended instalments of \$9,952, amortized to 2017	55	164
2.11% CMHC loan on the Gateway Cottages Project, due in 2018, repayable in monthly blended instalments of \$5,962 until December 1, 2018	123	191
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of \$8,028	647	678
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	231	313
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	257	341
1.67% NLHC loan on the Gateway Apartments Project, due in 2017, repayable in monthly blended instalments of \$6,351 amortized until March 2028	503	571

# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

<b>6. Long term debt (cont'd)</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
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	<b>520</b>	556
1.67% NLHC mortgage on the Bay St. George Senior Citizens Home – 8 Unit Cottages, due in 2017, repayable in monthly blended instalments of \$2,276 amortized until March 2028	<b>261</b>	284
1.67% NLHC mortgage on the Bay St. George Senior Citizens Home – Emile Benoit House, due in 2017 repayable in monthly blended instalments of \$4,529 amortized until March 2028	<b>553</b>	598
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	<u>4,267</u>	<u>3,766</u>
	<b>\$ 8,847</b>	<b>\$ 9,102</b>

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 \$4,676 (2016-\$5,336).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of \$ 5,432 (2016- \$5,651).

See Note 7 for five year principal repayment schedule.

### **7. 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		
2018	\$	968
2019		944
2020		917
2021		783
2022		<u>696</u>
	<b>\$</b>	<b><u>4,308</u></b>

Western Regional Health Authority  
Notes to the consolidated financial statements  
March 31, 2017  
(in thousands of dollars)

8. 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>
<b>March 31, 2017</b>								
<b>Cost</b>								
Opening balance	\$ 1,102	\$ 435	\$ 67,547	\$ 1,142	\$ 145,463	\$ 1,902	\$ 232	\$ 217,823
Additions	-	-	31	-	7,317	428	-	7,776
Disposals	-	-	(38)	-	-	-	-	(38)
Closing balance	<u>1,102</u>	<u>435</u>	<u>67,540</u>	<u>1,142</u>	<u>152,780</u>	<u>2,330</u>	<u>232</u>	<u>225,561</u>
<b>Accumulated amortization</b>								
Opening balance	-	266	39,975	775	103,077	1,317	225	145,635
Additions	-	3	2,113	23	6,430	160	2	8,731
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	<u>269</u>	<u>42,088</u>	<u>798</u>	<u>109,507</u>	<u>1,477</u>	<u>227</u>	<u>154,366</u>
<b>Net book value</b>	<b>\$ 1,102</b>	<b>\$ 166</b>	<b>\$ 25,452</b>	<b>\$ 344</b>	<b>\$ 43,273</b>	<b>\$ 853</b>	<b>\$ 5</b>	<b>\$ 71,195</b>

Western Regional Health Authority  
Notes to the consolidated financial statements  
March 31, 2017  
(in thousands of dollars)

8. 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>
<b>March 31, 2016</b>								
<b>Cost</b>								
Opening balance	\$ 1,102	\$ 435	\$ 67,492	\$ 1,142	\$ 135,789	\$ 1,697	\$ 232	\$ 207,889
Additions	-	-	55	-	9,674	205	-	9,934
Disposals	-	-	-	-	-	-	-	-
Closing balance	<u>1,102</u>	<u>435</u>	<u>67,547</u>	<u>1,142</u>	<u>145,463</u>	<u>1,902</u>	<u>232</u>	<u>217,823</u>
<b>Accumulated amortization</b>								
Opening balance	-	261	37,863	751	96,973	1,196	222	137,266
Additions	-	5	2,112	24	6,104	121	3	8,369
Disposals	-	-	-	-	-	-	-	-
Closing balance	-	<u>266</u>	<u>39,975</u>	<u>775</u>	<u>103,077</u>	<u>1,317</u>	<u>225</u>	<u>145,635</u>
<b>Net book value</b>	<b>\$ 1,102</b>	<b>\$ 169</b>	<b>\$ 27,572</b>	<b>\$ 367</b>	<b>\$ 42,386</b>	<b>\$ 585</b>	<b>\$ 7</b>	<b>\$ 72,188</b>

Book value of capitalized items that have not been amortized is \$ 3,248 (2016 - \$ 3,016)

# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

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<b>9. Inventory</b>	<u>2017</u>	<u>2016</u>
Dietary	\$ 109	\$ 105
Pharmacy	1,656	1,860
Supplies	<u>3,162</u>	<u>3,035</u>
	<u>\$ 4,927</u>	<u>\$ 5,000</u>

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### 10. Contingencies and commitments

#### Claims

As of March 31, 2017, 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

2018	\$ 4,467
2019	2,243
2020	1,142
2021	655
2022	<u>511</u>
	<u>\$ 9,018</u>

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017

(in thousands of dollars)

### 11. 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, 2017:

Original budgeted provincial plan revenue	\$ 313,915
Add: Net provincial plan budget adjustments	<u>4,914</u>
Ending budgeted provincial plan revenue	318,829
Original budgeted other revenue	45,554
Add: Net budget increases - other	<u>3,197</u>
Ending budgeted revenue	<u>\$ 367,580</u>
Original budgeted salary expenditure	\$ 228,054
Add: Net salary budget adjustments	<u>(3,766)</u>
Ending budgeted salary expenditure	<u>224,288</u>
Original budgeted supply expenditure	137,320
Add: Net supply budget adjustments	<u>5,487</u>
	<u>142,807</u>
Ending budgeted expenditures	<u>\$ 367,095</u>

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# Western Regional Health Authority

## Notes to the consolidated financial statements

March 31, 2017  
(in thousands of dollars)

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### 12. 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 \$ 14,000. 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.

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# Western Regional Health Authority

## Consolidated expenditures – operating/shareable

### Schedule I

Year ended March 31 (in thousands of dollars)	2017	2016
Administration		
General administration	\$ 8,430	\$ 8,348
Finance	3,213	3,019
Personnel services	4,293	4,056
System support	5,229	5,748
Other administrative	<u>6,175</u>	<u>5,956</u>
	<u>27,340</u>	<u>27,127</u>
Support services		
Housekeeping	10,100	10,460
Laundry and linen	2,446	2,442
Plant services	16,335	16,974
Patient food services	12,857	13,038
Other support services	<u>16,104</u>	<u>16,716</u>
	<u>57,842</u>	<u>59,630</u>
Nursing inpatient services		
Nursing inpatient services – acute	60,815	58,145
Medical services	20,491	21,739
Nursing inpatient services – long term care	<u>29,965</u>	<u>29,659</u>
	<u>111,271</u>	<u>109,543</u>
Ambulatory care services	<u>28,505</u>	<u>30,212</u>
Diagnostic and therapeutic services		
Clinical laboratory	11,748	11,975
Diagnostic imaging	9,878	10,250
Other diagnostic and therapeutic	<u>14,156</u>	<u>14,014</u>
	<u>35,782</u>	<u>36,239</u>

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

Year ended March 31 (in thousands of dollars)	2017	2016
Community and social services		
Mental health and addictions	8,982	8,674
Community support programs	76,201	73,858
Family support programs	3,609	3,443
Health promotion and protection program	<u>6,357</u>	<u>6,662</u>
	<u>95,149</u>	<u>92,637</u>
Education	<u>5,684</u>	<u>5,797</u>
Undistributed	<u>8,750</u>	<u>5,659</u>
Shareable amortization	<u>485</u>	<u>201</u>
Total expenditures	<u>\$ 370,808</u>	<u>\$ 367,045</u>

# Western Regional Health Authority

## Consolidated revenue and expenditures for government reporting

### Schedule II

Year ended March 31 (in thousands of dollars)	2017	2016
<b>Revenue</b>		
Provincial plan – operating grant	\$ 318,829	\$ 317,264
Capital grant – provincial	6,000	5,633
Capital grant – other	1,266	500
MCP physician revenue	17,375	18,442
National Child Benefit	1,080	835
Early Childhood Development	359	359
Inpatient	1,658	1,686
Outpatient	2,473	2,149
Resident revenue – long term care	7,794	7,476
Mortgage interest subsidy	22	23
Food service	1,656	1,728
Other recoveries	11,230	11,561
Other	<u>6,178</u>	<u>5,433</u>
Total revenue	<u>375,920</u>	<u>373,089</u>
<b>Expenditures</b>		
Worked and benefit salaries and contributions	191,092	189,963
Benefit contributions	<u>36,296</u>	<u>36,586</u>
	<u>227,388</u>	<u>226,549</u>
Supplies – plant operations and maintenance	5,226	5,695
Supplies – drugs	8,749	9,445
Supplies – medical and surgical	12,866	11,804
Supplies – other	<u>13,394</u>	<u>13,450</u>
	<u>40,235</u>	<u>40,394</u>
Direct client costs – mental health and addictions	441	427
Direct client costs – community support	55,763	54,506
Direct client costs – family support	<u>1,510</u>	<u>1,368</u>
	<u>57,714</u>	<u>56,301</u>
Other shareable expenses	<u>44,790</u>	<u>43,514</u>

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

Year ended March 31 (in thousands of dollars)	2017	2016
<b>Expenditures (cont'd)</b>		
Long term debt – interest	77	86
Long term debt – principal	210	201
Capital lease – interest	119	-
Capital lease – principal	<u>275</u>	<u>-</u>
	<u>681</u>	<u>287</u>
Total expenditures	<u>370,808</u>	<u>367,045</u>
Less: Capital grant – provincial	<u>6,000</u>	<u>5,633</u>
Less: Capital grant – other	<u>1,266</u>	<u>500</u>
Deficit for government reporting	<b>(2,154)</b>	(89)
Long term debt - principal	210	201
Capital lease – principal	<u>275</u>	<u>-</u>
(Deficit) surplus inclusive of other operations	<b>(1,669)</b>	112
Shareable amortization	<u>485</u>	<u>201</u>
Deficit before non-shareable items	<u><b>(2,154)</b></u>	<u>(89)</u>
<b>Non-shareable items</b>		
Amortization expense	7,740	7,634
Accrued vacation expense – decrease	<b>(256)</b>	(169)
Accrued severance expense – increase	698	1,369
Accrued sick expense – increase	496	642
Cottages	72	165
Capital grant – Provincial	<b>(6,000)</b>	(5,633)
Capital grant - Other	<u><b>(1,266)</b></u>	<u>(500)</u>
	<u>1,484</u>	<u>3,508</u>
Deficit as per Statement of Operations	<u><b>\$ (3,638)</b></u>	<u><b>\$ (3,597)</b></u>

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

Year ended March 31 (in thousands of dollars)	2017	2016
<b>Sources of funds</b>		
Provincial capital equipment grant for current year	\$ 1,805	\$ 3,369
Provincial facility capital grant in current year	1,672	984
Add: Deferred capital grant from prior year	11,997	14,051
Add: Transfer from operating fund	12	-
Less: Capital facility grant reallocated for operating fund purchases	(831)	(773)
Less: Deferred capital grant from current year	<u>(8,655)</u>	<u>(11,997)</u>
	6,000	5,634
<b>Other contributions</b>		
Foundations, auxiliaries and other	1,266	500
Capital lease funding	<u>679</u>	<u>3,766</u>
Total funding	<u>7,945</u>	<u>9,900</u>
<b>Capital expenditures</b>		
Asset, building and land	31	55
Asset, equipment	<u>7,707</u>	<u>9,879</u>
Total expenditures	<u>7,738</u>	<u>9,934</u>
Surplus (deficit) on capital purchases	<u>\$ 207</u>	<u>\$ (34)</u>

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

Year ended March 31 (in thousands of dollars)	2017	2016
Accumulated operating deficit		
Current assets		
Cash and cash equivalents	\$ 10,562	\$ 11,282
Accounts receivable	8,240	12,306
Due from associated funds	3,456	2,183
Inventory	4,927	5,000
Prepaid expenses	3,346	3,756
Other	<u>(111)</u>	<u>(23)</u>
Total assets	<u>30,420</u>	<u>34,504</u>
Current liabilities		
Accounts payable and accrued liabilities	27,708	24,047
Deferred contributions – operating	6,315	8,772
Deferred contributions - capital	<u>8,655</u>	<u>11,996</u>
Total current liabilities	<u>42,678</u>	<u>44,815</u>
Accumulated operating deficit	<u>\$ (12,258)</u>	<u>\$ (10,311)</u>
<b>Reconciliation of operating deficit – operating fund only</b>		
Accumulated operating deficit – beginning of year	\$ (10,311)	\$ (10,188)
Add: Net operating income per schedule II	(2,154)	(89)
Add: Net surplus (deficit) on capital purchases per schedule III	<u>207</u>	<u>(34)</u>
Accumulated operating deficit – end of year	<u>(12,258)</u>	<u>(10,311)</u>
Less: Net surplus on capital purchases - prior years	1,162	1,196
Less: Net deficit on capital purchases - 2016	-	(34)
Less: Net surplus on capital purchases - 2017	<u>207</u>	<u>-</u>
Accumulated operating deficit – per Department of Health and Community Services	<u>\$ (13,627)</u>	<u>\$ (11,473)</u>

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

Year ended March 31 (in thousands of dollars)	2017	2016
Accumulated operating deficit – end of year per Schedule IVA	<u>\$ (12,258)</u>	<u>\$ (10,311)</u>
Adjustments:		
Intercompany – cottages elimination	(2,522)	(1,833)
Cottages – current assets	1,295	661
Cottages – current liabilities	(123)	(63)
Other assets	111	23
Restricted cash and investments	163	154
Replacement reserve	133	130
Vacation pay accrual	(8,651)	(8,907)
Severance pay accrual	(32,502)	(31,804)
Sick pay accrual	(17,998)	(17,502)
Long term debt	(8,847)	(9,102)
Tangible capital assets	<u>71,195</u>	<u>72,188</u>
	<u>2,254</u>	<u>3,945</u>
Accumulated deficit per Statement of Financial Position	<u>\$ (10,004)</u>	<u>\$ (6,366)</u>