Grant Thornton

Consolidated Financial Statements

Western Regional Health Authority

March 31, 2018

Contents

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, 2018, 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 consolidated 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 the Western Regional Health Authority as at March 31, 2018, and the results of its consolidated operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Corner Brook, Canada
June 14, 2018

Chartered Professional Accountants

Western Regional Health Authority

Consolidated statement of financial position

March 31
(in thousands of dollars)

		2018		2017
Financial assets				
Cash and cash equivalents	$	679	$	11,711
Temporary investments		125		-
Receivables (Note 3)		18,252		9,191
Trust funds on deposit (Note 4)		483		523
Replacement reserve fund		135		133
Restricted cash and investments		-		163
	$	19,674	$	21,721
Liabilities				
Payables and accruals	$	26,750	$	27,827
Vacation pay accrual		8,442		8,651
Severance pay accrual (Note 5)		34,324		32,502
Sick leave accrual (Note 5)		18,467		17,998
Deferred contributions – operating		4,157		6,319
Deferred contributions – capital		8,653		8,655
Long term debt (Notes 6 & 7)		7,869		8,847
Trust funds payable		483		523
	$	109,145	$	111,322
Net debt	$	(89,471)	$	(89,601)
Non-financial assets				
Tangible capital assets (Note 8)	$	68,623	$	71,195
Inventory (Note 9)		5,029		4,927
Prepaid expenses		3,521		3,475
		77,173		79,597
Accumulated deficit	$	(12,298)	$	(10,004)

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)	Budget 2018 (Note 11)	Actual 2018	Actual 2017
Revenue			
Provincial plan – operating grant	$ 320,745	$ 320,745	$ 318,829
Capital grant – provincial	2,500	5,465	6,000
Capital grant – other	500	801	1,266
National child benefit	1,377	1,377	1,080
Early childhood development	359	359	359
MCP physician revenue	17,267	18,581	17,375
Inpatient	1,572	1,569	1,658
Outpatient	2,334	2,304	2,473
Resident revenue – long term care	7,652	8,066	7,794
Mortgage interest subsidy	-	21	22
Food service	1,646	1,736	1,656
Other recoveries	8,828	9,290	11,230
Other	2,365	4,531	6,178
	367,145	374,845	375,920
Expenditures			
Administration	24,452	26,110	27,340
Support services	57,172	56,906	57,842
Nursing inpatient services	88,754	88,583	90,780
Medical services	20,656	21,594	20,491
Ambulatory care services	29,315	28,733	28,505
Diagnostic and therapeutic services	36,134	35,844	35,782
Community and social services	97,912	99,943	95,149
Educational services	5,734	5,487	5,684
Undistributed	2,712	3,880	8,750
	362,841	367,080	370,323
Surplus	$ 4,304	$ 7,765	$ 5,597

Western Regional Health Authority

Consolidated statement of operations (cont'd)

Year ended March 31 (in thousands of dollars)	Budget 2018 (Note 11)	Actual 2018	Actual 2017
Adjustments for undernoted items			
– net expenses			
Amortization expense	$ 8,014	$ 8,075	$ 8,225
Accrued vacation expense			
– increase (decrease)	200	(209)	(256)
Accrued severance expense – increase	300	1,822	698
Accrued sick expense – increase	300	469	496
Cottages – (deficit) surplus	(77)	(98)	72
Total adjustments for above noted items	8,737	10,059	9,235
Deficit	(4,433)	(2,294)	(3,638)
Accumulated deficit, beginning of year	(10,004)	(10,004)	(6,366)
Accumulated deficit, end of year	$ (14,437)	$ (12,298)	$ (10,004)

Western Regional Health Authority
Consolidated statement of changes in net debt

Year ended March 31 (in thousands of dollars)	Budget 2018 (Note 11)	Actual 2018	Actual 2017
Net debt, beginning of year	$ (89,601)	$ (89,601)	$ (87,440)
Deficit for the year	(4,433)	(2,294)	(3,638)
Changes in tangible capital assets			
Acquisition of tangible capital assets	(6,330)	(6,330)	(7,738)
Disposal of capital asset	382	382	-
Amortization of tangible capital assets	8,014	8,075	8,225
Amortization of tangible capital assets - cottages	446	445	506
Increase in net book value of tangible capital assets	2,512	2,572	993
Changes in other non-financial assets			
Acquisition of prepaid expense (net of usage)	(45)	(46)	411
Acquisition of inventories of supplies (net of usage)	(102)	(102)	73
(Increase) decrease in other non-financial assets	(147)	(148)	484
Decrease (increase) in net debt	(2,068)	130	(2,161)
Net debt, end of year	$ (91,669)	$ (89,471)	$ (89,601)

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)		2018		2017
Operating				
Annual deficit	$	**(2,294)**	$	(3,638)
Add (deduct) non-cash items:				
Amortization of capital assets		**8,075**		8,225
Amortization of capital assets - cottages		**445**		506
Accrued vacation expense – decrease		**(209)**		(256)
Accrued severance expense – increase		**1,822**		698
Accrued sick expense – increase		**469**		496
Gain on sale of capital assets		**(43)**		-
Changes in:				
Receivables		**(9,061)**		3,495
Inventory		**(102)**		73
Prepaid expenses		**(46)**		411
Deferred contributions - operating		**(2,162)**		(2,456)
Payables and accruals		**(1,077)**		3,721
Net cash (applied to) provided by operating transactions		**(4,183)**		11,275
Capital				
Proceeds on sale of capital asset		**425**		-
Acquisitions of tangible capital assets		**(6,330)**		(7,738)
Net cash applied to capital transactions		**(5,905)**		(7,738)
Financing				
Capital lease		**(262)**		703
Repayment of long term debt		**(716)**		(958)
Decrease in capital contributions		**(2)**		(3,341)
Net cash applied to financing transactions		**(980)**		(3,596)
Investing				
Temporary investments		**(125)**		-
Restricted cash and investments		**163**		(9)
Replacement reserve fund		**(2)**		(3)
Net cash provided by (applied to) investing transactions		**36**		(12)
Net cash applied to		**(11,032)**		(71)
Cash and cash equivalents - beginning of year		**11,711**		11,782
Cash and cash equivalents - end of year	**$**	**679**	$	11,711

See accompanying notes to the consolidated financial statements

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2018
(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.

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, 2018
(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 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
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.

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:

		2018		2017
GMPP	**$**	**3,474**	$	3,314
PSPP	**$**	**24,022**	$	24,498

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, 2018
(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, 2018
(in thousands of dollars)

3. Receivables

		2018		2017
Province of Newfoundland and Labrador				
Capital contributions	$	**276**	$	242
Provincial plan		**8,614**		249
MCP		**3,065**		2,572
Patient services		**1,089**		786
Foundations		**250**		934
Employees' pay and travel advances		**258**		314
Harmonized sales tax rebate		**331**		418
Department of Veterans Affairs		**86**		116
Child Youth and Family Services		**1,995**		1,781
Other		**2,288**		1,779
	$	**18,252**	$	9,191

4. Trust funds

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

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2018
(in thousands of dollars)

5. Employee future benefits	**2018**	2017

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, 2018. During the year severance accumulation for NAPE 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:

	2018	2017
Wages and salary escalation	**0.75%**	3.75%
Discount rate	**3.30%**	3.70%

Based on actuarial valuation of the liability, at March 31, 2018 the results for sick leave are:

	2018	2017
Accrued sick pay obligation, beginning	**$ 23,288**	$ 23,311
Current period benefit cost	**1,854**	1,799
Benefit payments	**(2,748)**	(2,668)
Interest on the accrued benefit obligations	**845**	846
Actuarial gains	**(2,146)**	-
Accrued sick pay obligations, at end	**$ 21,093**	$ 23,288

Based on actuarial valuation of the liability, at March 31, 2018 the results for severance are:

	2018	2017
Accrued benefit obligation, beginning	**$ 31,191**	$ 30,072
Current period benefit cost	**2,216**	2,156
Benefit payments	**(2,722)**	(2,149)
Interest on the accrued benefit obligation	**1,144**	1,112
Settlement gain	**1,536**	-
Actuarial gains	**(2,826)**	-
Accrued severance obligation, at end	**$ 30,539**	$ 31,191

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

	2018	2017
Sick benefits:		
Accrued benefit liability	**$ 18,467**	$ 17,998
Unamortized actuarial losses	**2,626**	5,290
Accrued benefit obligation	**$ 21,093**	$ 23,288
Severance benefits:		
Accrued benefit liability	**$ 34,324**	$ 32,502
Unamortized actuarial gains	**(3,785)**	(1,670)
Severance paid subsequent to report data	**-**	359
Accrued benefit obligation	**$ 30,539**	$ 31,191

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2018
(in thousands of dollars)

6. Long term debt		**2018**		2017
1.8% mortgage on the Bay St. George Seniors Home, maturing in 2021, repayable in blended monthly payments of $12,113	**$**	**445**	$	582
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, repayable in blended monthly payments of $9,523		**713**		769
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304		**57**		79
1.71 % CMHC loan repaid during the year		**-**		55
2.11% CMHC loan on the Gateway Cottages Project, due in 2018, repayable in monthly blended instalments of $5,962 until December 1, 2018		**53**		123
10% CMHC loan on the Inter-Faith Home for Senior Citizens – Cottages #1, due in 2028, repayable in monthly blended instalments of $8,028		**613**		647
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		**148**		231
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		**172**		257
1.81% NLHC loan on the Gateway Apartments Project, due in 2027, repayable in monthly blended instalments of $6,382 amortized until March 2027		**435**		503

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2018
(in thousands of dollars)

6. Long term debt (cont'd)	2018	2017
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	**482**	520
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	**238**	261
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	**508**	553
Obligations under capital lease, 3% maturing in 2029, payable in blended monthly instalments which escalate on an annual basis	**4,005**	4,267
	$ 7,869	$ 8,847

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 $ 3,972 (2017-$4,676).

As security for the capital lease, Western Health has provided specific capital equipment having a net book value of $ 4,617 (2017- $5,432).

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	
2019	$ 949
2020	917
2021	780
2022	687
2023	700
	$ 4,033

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2018
(in thousands of dollars)

8. Tangible capital assets

	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
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	1,102	435	67,266	1,142	158,119	2,388	232	230,684
Accumulated amortization								
Opening balance	-	269	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	-	275	43,197	819	115,889	1,653	228	162,061
Net book value	$ 1,102	$ 160	$ 24,069	$ 323	$ 42,230	$ 735	$ 4	$ 68,623

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2018
(in thousands of dollars)

8. Tangible capital assets (cont'd)

March 31, 2017	Land	Land Improvements	Buildings	Parking Lot	Equipment	Motor Vehicles	Leasehold Improvements	Total
Cost								
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	1,102	435	67,540	1,142	152,780	2,330	232	225,561
Accumulated amortization								
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	-	269	42,088	798	109,507	1,477	227	154,366
Net book value	$ 1,102	$ 166	$ 25,452	$ 344	$ 43,273	$ 853	$ 5	$ 71,195

Book value of capitalized items that have not been amortized is $ 3,849 (2017 - $ 3,248)

Western Regional Health Authority

Notes to the consolidated financial statements

March 31, 2018
(in thousands of dollars)

9. Inventory

		2018		2017
Dietary	$	**145**	$	109
Pharmacy		**1,746**		1,656
Supplies		**3,138**		3,162
	$	**5,029**	$	4,927

10. Contingencies and commitments

Claims
As of March 31, 2018, 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

2019	$	5,005
2020		2,129
2021		1,387
2022		1,121
2023		189
	$	9,831

Western Regional Health Authority
Notes to the consolidated financial statements
March 31, 2018
(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, 2018:

Original budgeted provincial plan revenue	$ 306,042
Add: Net provincial plan budget adjustments	14,703
Ending budgeted provincial plan revenue	320,745
Original budgeted other revenue	45,318
Add: Net budget increases - other	1,082
Ending budgeted revenue	$ 367,145
Original budgeted salary expenditure	$ 221,562
Add: Net salary budget adjustments	(140)
Ending budgeted salary expenditure	221,422
Original budgeted supply expenditure	150,849
Add: Net supply budget adjustments	(693)
	150,156
Ending budgeted expenditures	$ 371,578

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 $11,500. 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.

13 Subsequent event

On May 29, 2018 there was an announcement, effective June 1, 2018 there will be a curtailment of severance benefits for executives, managers, non-management/non-union employees. Management is currently estimating the impact on the severance liability as presented in Note 5 to the financial statements.

Western Regional Health Authority
Consolidated expenditures – operating/shareable
Schedule I

Year ended March 31 (in thousands of dollars)	**2018**	2017
Administration		
General administration	**$ 6,754**	$ 8,430
Finance	**3,454**	3,213
Personnel services	**3,991**	4,293
System support	**5,659**	5,229
Other administrative	**6,252**	6,175
	26,110	27,340
Support services		
Housekeeping	**9,959**	10,100
Laundry and linen	**2,551**	2,446
Plant services	**15,600**	16,335
Patient food services	**12,842**	12,857
Other support services	**15,954**	16,104
	56,906	57,842
Nursing inpatient services		
Nursing inpatient services – acute	**59,116**	60,815
Medical services	**21,594**	20,491
Nursing inpatient services – long term care	**29,467**	29,965
	110,177	111,271
Ambulatory care services	**28,733**	28,505
Diagnostic and therapeutic services		
Clinical laboratory	**11,944**	11,748
Diagnostic imaging	**9,604**	9,878
Other diagnostic and therapeutic	**14,296**	14,156
	35,844	35,782

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

Year ended March 31 (in thousands of dollars)	**2018**	2017
Community and social services		
Mental health and addictions	**9,736**	8,982
Community support programs	**80,037**	76,201
Family support programs	**4,059**	3,609
Health promotion and protection program	**6,111**	6,357
	99,943	95,149
Education	**5,487**	5,684
Undistributed	**3,880**	8,750
Shareable amortization	**477**	485
Total expenditures	**$ 367,557**	$ 370,808

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II

Year ended March 31
(in thousands of dollars)

	2018	2017
Revenue		
Provincial plan – operating grant	$ **320,745**	$ 318,829
Capital grant – provincial	**5,465**	6,000
Capital grant – other	**801**	1,266
MCP physician revenue	**18,581**	17,375
National child benefit	**1,377**	1,080
Early childhood development	**359**	359
Inpatient	**1,569**	1,658
Outpatient	**2,304**	2,473
Resident revenue – long term care	**8,066**	7,794
Mortgage interest subsidy	**21**	22
Food service	**1,736**	1,656
Other recoveries	**9,290**	11,230
Other	**4,531**	6,178
Total revenue	**374,845**	375,920
Expenditures		
Worked and benefit salaries and contributions	**188,770**	191,092
Benefit contributions	**35,192**	36,296
	223,962	227,388
Supplies – plant operations and maintenance	**5,676**	5,226
Supplies – drugs	**8,718**	8,749
Supplies – medical and surgical	**12,404**	12,866
Supplies – other	**13,151**	13,394
	39,949	40,235
Direct client costs – mental health and addictions	**678**	441
Direct client costs – community support	**59,138**	55,763
Direct client costs – family support	**1,840**	1,510
	61,656	57,714
Other shareable expenses	**41,310**	44,790

Western Regional Health Authority

Consolidated revenue and expenditures for government reporting

Schedule II (cont'd)

Year ended March 31 (in thousands of dollars)	**2018**	2017
Expenditures (cont'd)		
Long term debt – interest	**68**	77
Long term debt – principal	**215**	210
Capital lease – interest	**135**	119
Capital lease - principal	**262**	275
	680	681
Total expenditures	**367,557**	370,808
Less: Capital grant – provincial	**5,465**	6,000
Less: Capital grant – other	**801**	1,266
Surplus (deficit) for government reporting	**1,022**	(2,154)
Long term debt - principal	**215**	210
Capital lease – principal	**262**	275
Surplus (deficit) inclusive of other operations	**1,499**	(1,669)
Shareable amortization	**477**	485
Surplus (deficit) before non-shareable items	**1,022**	(2,154)
Non-shareable items		
Amortization expense	**7,598**	7,740
Accrued vacation expense - decrease	**(209)**	(256)
Accrued severance expense – increase	**1,822**	698
Accrued sick expense – increase	**469**	496
Cottages	**(98)**	72
Capital grant – provincial	**(5,465)**	(6,000)
Capital grant - other	**(801)**	(1,266)
	3,316	1,484
Deficit as per Statement of Operations	**$ (2,294)**	$ (3,638)

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

Year ended March 31 (in thousands of dollars)		**2018**		2017
Sources of funds				
Provincial capital equipment grant for current year	**$**	**4,114**	$	1,805
Provincial facility capital grant in current year		**1,775**		1,672
Add: Deferred capital grant from prior year		**8,655**		11,997
Add: Transfer from operating fund		**-**		12
Less: Capital facility grant reallocated for operating fund purchases		**(426)**		(831)
Less: Deferred capital grant from current year		**(8,653)**		(8,655)
		5,465		6,000
Other contributions				
Foundations, auxiliaries and other		**801**		1,266
Capital lease funding		**-**		679
Total funding		**6,266**		7,945
Capital expenditures				
Asset, building and land		**933**		31
Asset, equipment		**5,397**		7,707
Total expenditures		**6,330**		7,738
(Deficit) surplus on capital purchases	**$**	**(64)**	$	207

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

Year ended March 31 (in thousands of dollars)		**2018**		2017
Accumulated operating deficit				
Current assets				
Cash and cash equivalents	**$**	**482**	$	10,562
Temporary investments		**125**		-
Accounts receivable		**17,990**		8,240
Due from associated funds		**1,811**		3,456
Inventory		**5,029**		4,927
Prepaid expenses		**3,391**		3,346
Other		**(106)**		(111)
Total assets		**28,722**		30,420
Current liabilities				
Accounts payable and accrued liabilities		**26,665**		27,708
Deferred contributions – operating		**4,154**		6,315
Deferred contributions - capital		**8,653**		8,655
Total current liabilities		**39,472**		42,678
Accumulated operating deficit	**$**	**(10,750)**	$	(12,258)
Reconciliation of operating deficit				
Accumulated operating deficit – beginning of year	**$**	**(12,258)**	$	(10,311)
Add: Net operating surplus (deficit) per schedule II		**1,022**		(2,154)
Add: Transfer of restricted funds to operations		**125**		-
Add: Proceeds on sale of building		**425**		-
Add: Net (deficit) surplus on capital purchases per schedule III		**(64)**		207
Accumulated operating deficit – end of year		**(10,750)**		(12,258)
Less: Net surplus on capital purchases – prior years		**1,369**		1,162
Less: Net surplus on capital purchases - 2017		**-**		207
Less: Net deficit on capital purchases - 2018		**(64)**		-
Accumulated operating deficit – per Department of Health and Community Services	**$**	**(12,055)**	$	(13,627)

Western Regional Health Authority

Reconciliation of consolidated accumulated operating deficit for government reporting

Schedule IVB

Year ended March 31 (in thousands of dollars)	2018	2017
Accumulated operating deficit – end of year per Schedule IVA	**$ (10,750)**	$ (12,258)
Adjustments:		
Intercompany – cottages elimination	**(1,561)**	(2,522)
Cottages – current assets	**339**	1,295
Cottages – current liabilities	**(88)**	(123)
Other assets	**106**	111
Restricted cash and investments	**-**	163
Replacement reserve	**135**	133
Vacation pay accrual	**(8,442)**	(8,651)
Severance pay accrual	**(34,324)**	(32,502)
Sick pay accrual	**(18,467)**	(17,998)
Long term debt	**(7,869)**	(8,847)
Tangible capital assets	**68,623**	71,195
	(1,548)	2,254
Accumulated deficit per Statement of Financial Position	**$ (12,298)**	$ (10,004)