

Consolidated Financial Statements of the
WINNIPEG REGIONAL HEALTH AUTHORITY
March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the accompanying consolidated financial statements of the **Winnipeg Regional Health Authority** [the "Authority"], which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations, changes in net assets 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 generally accepted accounting principles, 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 Authority'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 Authority'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 **Winnipeg Regional Health Authority** as at March 31, 2012 and the results of its operations and changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,
June 26, 2012.

Signed by Ernst & Young

Chartered Accountants

WINNIPEG REGIONAL HEALTH AUTHORITY
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Winnipeg Regional Health Authority. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgments.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Ernst & Young LLP provides an independent audit of the consolidated financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the consolidated financial statements prepared by management.

Signed by Arlene Wilgosh

Arlene Wilgosh
President & Chief Executive Officer

Signed by Paul Kochan

Paul A. Kochan, FCA
Vice-President & Chief Financial Officer

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WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations

For the year ended March 31

(in thousands of dollars)

	2012	2011
REVENUE		
Manitoba Health operating income	\$ 2,294,399	\$ 2,182,631
Other income (Schedule 1)	122,149	123,219
Amortization of deferred contributions, capital	66,136	64,303
Recognition of deferred contributions, future expenses	11,474	25,877
	2,494,158	2,396,030
EXPENSES		
Direct operations	2,075,241	2,000,324
Interest	676	584
Amortization of capital assets	71,758	68,499
	2,147,675	2,069,407
FACILITY FUNDING		
Long-term care facility funding (Schedule 2)	284,735	271,579
Community health agency funding (Schedule 3)	38,067	35,737
Adult day care facility funding (Schedule 4)	3,249	3,157
Long-term care community therapy services	735	718
GRANT FUNDING		
Grants to facilities and agencies (Schedule 5)	19,993	18,741
	2,494,454	2,399,339
OPERATING DEFICIT	(296)	(3,309)
NON-INSURED SERVICES		
Non-insured services income	63,598	62,269
Non-insured services expenses	61,514	56,797
NON-INSURED SERVICES SURPLUS	2,084	5,472
SURPLUS FOR THE YEAR	\$ 1,788	\$ 2,163

See accompanying notes

Signed by Dr. John Wade

Board Chair

Signed by Reg Kliewer

Treasurer

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

As at March 31

(in thousands of dollars)

	2012	2011
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 80,417	\$ 31,399
Accounts receivable (Note 5)	106,607	112,260
Inventory (Note 6)	30,083	28,782
Prepaid expenses	12,255	13,406
Investments (Note 9)	6,099	7,182
Employee benefits recoverable from Manitoba Health (Note 7)	78,675	78,675
	314,136	271,704
CAPITAL ASSETS, NET (Notes 8 and 14)	1,346,289	1,209,136
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health (Note 22)	82,302	82,302
Investments (Note 9)	44,592	36,818
Specific purpose funds (Note 10)	31,435	29,737
Nurse recruitment and retention fund (Note 11)	4,169	3,512
	\$ 1,822,923	\$ 1,633,209
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	\$ 213,153	\$ 197,981
Demand loans (Note 13)	-	18,000
Employee benefits payable (Note 7)	96,482	94,907
Current portion of long-term debt (Note 14)	47,201	50,898
	356,836	361,786
LONG-TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long-term debt (Note 14)	24,948	27,918
Employee future benefits payable (Note 22)	154,667	147,723
Specific purpose funds (Note 10)	31,435	29,737
Deferred contributions (Note 16)	1,199,734	1,013,187
Nurse recruitment and retention fund (Note 11)	4,169	3,512
	1,414,953	1,222,077
COMMITMENTS AND CONTINGENCIES (Note 18)		
NET ASSETS	51,134	49,346
	\$ 1,822,923	\$ 1,633,209

See accompanying notes

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31
(in thousands of dollars)

	2012				2011
	Investment in Capital Assets (Note 17)	Unrestricted Net Assets	Internally Restricted Net Assets (Schedule 6)	Total	Total
Balance, beginning of year	\$ 80,978	\$ (59,451)	\$ 27,819	\$ 49,346	\$ 47,183
Surplus (deficit) for the year	(10,785)	11,760	813	1,788	2,163
Purchase of capital assets, net	26,299	(25,627)	(672)	-	-
Net asset restrictions	-	(890)	890	-	-
Balance, end of year	96,492	(74,208)	28,850	\$ 51,134	\$ 49,346

See accompanying notes

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Cash Flows
For the year ended March 31
(in thousands of dollars)

	2012	2011
OPERATING ACTIVITIES		
Surplus for the year	\$ 1,788	\$ 2,163
Items not affecting cash		
Amortization of capital assets	79,740	76,389
Amortization of deferred contributions related to capital assets	(68,955)	(67,157)
Recognition of deferred contributions related to future expenses	(11,630)	(25,920)
Net change in employee future benefits	8,519	6,982
	9,462	(7,543)
Changes in non-cash operating working capital balances	20,676	32,624
Deferred contributions received - future expenses	48,602	13,889
	78,740	38,970
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	218,530	125,761
Demand loan repayments	(18,000)	(11,000)
Proceeds of long-term debt	-	15,254
Long-term debt repayments	(6,667)	(3,803)
	193,863	126,212
INVESTING ACTIVITIES		
Purchase of capital assets	(216,894)	(145,990)
(Increase) decrease in investments	(6,691)	620
	(223,585)	(145,370)
INCREASE	49,018	19,812
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,399	11,587
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 80,417	\$ 31,399
Comprised of:		
Cash	\$ 79,661	\$ 28,031
Cash equivalents	756	3,368
Total	\$ 80,417	\$ 31,399
Supplementary Information:		
Interest paid	\$ 6,550	\$ 4,272

See accompanying notes

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority (“the Authority”, “WRHA”) was established under the Regional Health Authorities Act on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital (“the Community Hospitals”) and the three non-devolved hospitals, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital (“the Other Hospitals”), and the Manitoba Adolescent Treatment Centre (“MATC”). In addition, the Authority also provides information technology services to all regional health authorities in Manitoba, Diagnostic Services of Manitoba, CancerCare Manitoba, the Addictions Foundation of Manitoba, as well as health-care providers and their colleges and associations through its operations of Manitoba eHealth. Volunteer Enterprises of the Health Sciences Centre Inc. (“VENT”) operates services within the WRHA and their results are included in these financial statements. Long-term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies, as well as through a number of not-for-profit organizations. Note 21 provides details of the relationships that the Authority has with these related entities.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. CHANGES IN ACCOUNTING POLICIES

The Authority has reviewed revisions to the Canadian Institute of Chartered Accountants (“CICA”) Handbook. For the year ended March 31, 2012, there had not been any changes to the sections that relate to not-for-profit organizations and as such no impact on the financial statement presentation by the Authority.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority’s operations is classified into these three distinct segments:

- i. Direct Operations provided through:
 - Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Manitoba eHealth services, Acute Care services (Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am sites), and Medical Remuneration.
 - Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) The reporting entity (continued)

- Non-devolved Other Hospitals and MATC – by means of operating agreements.
- ii. Long-term care and community health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.
- iii. Other health services – provided through various agencies by means of grant funding mechanisms.

b) Definition of controlled entity

The Authority is the majority funder of the Community Hospitals, the Other Hospitals and MATC, which act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Community Hospitals', the Other Hospitals', MATC's, VENT's and Manitoba eHealth's services purposes are integrated with that of the WRHA such that they and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Community Hospitals, Other Hospitals and MATC, the WRHA has the ability to determine their strategic operating, investing and financing policies.

As permitted by Canadian generally accepted accounting principles, the controlled Community Hospitals, Other Hospitals, MATC, VENT, and Manitoba eHealth have been consolidated into the Authority's financial statements due to the nature of the agreements in existence, while the controlled Seven Oaks General Hospital Foundation Inc. and St. Boniface General Auxiliary Inc. have not been consolidated since they are not directly involved in the delivery of health care services. Note 21 provides a financial summary of these controlled non-consolidated entities.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

- i. Operating contributions – recorded as revenue in the period to which they relate.
- ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.
- iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition (continued)

- v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.
- vi. Non-insured services income is primarily recognized as revenue in the period in which it is received as they often do not contain external restrictions.

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2012.

d) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid instruments, such as certificates of deposit, term deposits, treasury notes and other money market instruments, which generally have original maturities of less than three months from the date of issuance.

e) Inventory

Inventory consists of medical supplies, drugs, linen and other supplies that are measured at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula. Inventory is expensed when sold or put into use.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using annual rates of:

Buildings	2-10%
Furniture & equipment	5-33%
Computer hardware and software	10-33%
Leasehold improvements	over the life of the lease

Interest on the debt associated with construction in progress projects is capitalized as incurred.

g) Surplus retention and use policy

Non-proprietary personal care homes and community health agencies are eligible to retain insured services surpluses based on an agreed upon formula. The non-retainable portion of the surplus is recorded on their statement of financial position as a payable to WRHA.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

i) Internally restricted net assets

The Authority has allocated some of the net assets to future purchases through internal restrictions by the Boards of Directors.

j) Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the facilities that it funds, minimizing credit risk. The Authority also has some credit risk associated with an interest rate swap. This risk is minimized by entering into an agreement with a major Canadian financial institution.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the change in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk, and other price risk.

The Authority is exposed to market risks through the derivative instruments entered into. The Authority uses derivative instruments only for risk management purposes and not for generating trading profit. As such, any change in cash flows associated with derivative instruments due to their exposure to market risks is designed to be offset by changes in cash flows related to the risk being hedged.

The Authority's primary market risk exposure is interest rate risk. This interest rate risk is the risk arising from fluctuations in short-term interest rates and the volatility of those rates on the issuance of floating rate debt. The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings. The Authority has entered into an interest rate swap to manage a proportion of total debt that is subject to variable rates.

The Authority has minimal exposure to foreign exchange and other price risks.

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Financial assets and liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

<u>Asset and Liability Account</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Specific purpose funds	Held for trading
Nurse recruitment and retention fund	Held for trading
Derivative instruments	Held for trading
Investments (bonds, money market securities, and GICs)	Held for trading
Investments (mortgage)	Loans and receivables
Accounts receivable	Loans and receivables
Employee benefits recoverable from Manitoba Health	Loans and receivables
Employee future benefits recoverable from Manitoba Health	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Demand loans	Other liabilities
Employee benefits payable	Other liabilities
Long-term debt	Other liabilities
Specific purpose funds	Other liabilities
Nurse recruitment and retention fund	Other liabilities

The carrying value of accounts receivable, employee benefits recoverable from Manitoba Health, employee future benefits recoverable from Manitoba Health, accounts payable and accrued liabilities and employee benefits payable approximates their fair value due to the short-term nature of these instruments. The carrying value of specific purpose funds and nurse recruitment and retention fund approximates their fair value due to the held for trading classification of the underlying investments.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading upon initial recognition. They are measured at fair value at the consolidated statement of financial position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Authority uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

k) Derivative financial instruments

The Authority uses derivative instruments to manage exposure to changes in interest rates. The Authority's objective for holding these derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of this exposure.

The Authority entered into interest rate swaps to manage the interest rate cash flow exposure associated with certain debt obligations. The contracts have an effect of converting the floating rate of interest on certain debt to a fixed rate.

Under these swaps, the Authority agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts, as well as amounts reflecting the amortization of principal amounts.

The derivatives are measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations and in accounts receivable or accounts payable and accrued liabilities in the consolidated statement of financial position.

It is the Authority's policy not to speculate on derivative instruments. These instruments are purchased for risk management purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investments

Bonds and money market securities are classified as held for trading and are stated at fair value. Unrealized gains and losses, representing the change in the difference between the fair value and the cost of these investments at the beginning and end of each year, are reflected in other income in the consolidated statement of operations. Fair value of investments is determined based on quoted market prices. The Authority recognizes their investments based on settlement dates.

m) Due to/from Manitoba Health

In Globe funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service areas must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the consolidated statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the consolidated statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the consolidated financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Due to/from Manitoba Health (continued)

Conversely, any operating deficits related to Out of Globe funding arrangements are recorded on the consolidated statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

The Authority recognizes that the *CICA Handbook* Standards for Not-for-Profit Organizations are changing. As a result of these changes, the Authority has determined it is a Government Not-For-Profit Organization ("GNFPO"). This classification would be applicable to annual financial statements relating to fiscal years beginning on or after January 1, 2012. Under this classification, the standards under the Public Sector Accounting ("PSA") Handbook will be applicable.

In September 2010, the Public Sector Accounting Board ("PSAB") approved the inclusion of the 4400 series from the *CICA Handbook – Accounting* into the PSA Handbook for use by government organizations applying the standards for not-for-profit organizations. The standards were renumbered Sections PS4200 to PS4270. PSAB also approved changes to the Introduction to the Standards giving these organizations a choice to apply either the PSA Handbook with the PS4200 series of standards or the PSA Handbook without the PS4200 series of standards.

The Authority has elected to apply the PSA Handbook with the PS4200 series with a conversion date of April 1, 2012. The most significant impacts to the Authority's financial statements as a result of the conversion to the PSA Handbook with the PS4200 series include but are not limited to: valuation of employee future benefits, valuation of sick leave banks, and impacts resultant from changes in financial instruments. The Authority is in the process of quantifying the impact of these changes for the purposes of restating its financial statements for the fiscal year ended March 31, 2012.

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

5. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Manitoba Health - operating, capital and fee for service	\$ 73,570	\$ 86,975
Accounts receivable from other Province of Manitoba departments	406	491
Facility advances and receivables	1,599	1,028
Patient related and other	33,621	30,747
Allowance for doubtful accounts	(2,589)	(6,981)
	<u>\$ 106,607</u>	<u>\$ 112,260</u>

6. INVENTORY

	<u>2012</u>			<u>2011</u>
	<u>Held for Sale</u>	<u>Held for Internal Use</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 1,191	\$ 27,591	\$ 28,782	\$ 43,771
Amount purchased in year	3,528	154,074	157,602	172,862
Amount expensed in year	(3,622)	(152,274)	(155,896)	(187,492)
Amount written down in year	(20)	(482)	(502)	(453)
Write-downs reversed in year	-	97	97	94
Balance, end of year	<u>\$ 1,077</u>	<u>\$ 29,006</u>	<u>\$ 30,083</u>	<u>\$ 28,782</u>

7. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004 changes in the liability related to employee benefits were recoverable from Manitoba Health. Manitoba Health advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

The employee benefits recoverable from Manitoba Health is as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 78,675	\$ 78,675
Balance, end of year	<u>\$ 78,675</u>	<u>\$ 78,675</u>

An analysis of the changes in the employee benefits payable is as follows:

Balance, beginning of year	\$ 94,907	\$ 92,324
Increase in vacation/overtime/statutory holiday entitlements	1,575	2,583
Balance, end of year	<u>\$ 96,482</u>	<u>\$ 94,907</u>

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

8. CAPITAL ASSETS

	2012		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 18,307	\$ -	\$ 18,307
Buildings	1,179,548	(444,623)	734,925
Furniture & equipment	819,727	(677,585)	142,142
Computer hardware and software	138,731	(57,509)	81,222
Leasehold improvements	53,495	(14,444)	39,051
Construction in progress	330,642	-	330,642
	\$ 2,540,450	\$ (1,194,161)	\$ 1,346,289

	2011		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 18,305	\$ -	\$ 18,305
Buildings	1,112,537	(420,467)	692,070
Furniture & equipment	785,907	(640,443)	145,464
Computer hardware and software	104,050	(48,558)	55,492
Leasehold improvements	49,243	(11,244)	37,999
Construction in progress	259,806	-	259,806
	\$ 2,329,848	\$ (1,120,712)	\$ 1,209,136

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized during the year was \$2,299 (2011 - \$1,288).

9. INVESTMENTS

	2012	2011
Money market investments	\$ 1,655	\$ 3,368
Government bonds	34,791	37,183
Corporate bonds	32,554	25,379
Guaranteed Investment Certificates (GICs)	4,503	2,405
Mortgage	-	537
	73,503	68,872
Less: amounts included with cash and cash equivalents	(756)	(3,368)
Less: amounts included with specific purpose funds	(22,056)	(21,504)
	50,691	44,000
Less: amounts maturing/redeemable within one year, included in current assets	(6,099)	(7,182)
	\$ 44,592	\$ 36,818

Investments are carried at fair value using quoted market prices, except for the mortgage, which is at amortized cost.

The mortgage of \$nil (2011 - \$537) was receivable from Parkade Inc., a corporation without share capital whose member is the same as that of the St. Boniface General Hospital. Interest was charged at the rate of 4.2% per annum and mortgage payments were \$48 per month including principal and interest. The mortgage was repaid in full in 2012.

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
As at March 31, 2012
(in thousands of dollars)

9. INVESTMENTS (continued)

The Authority manages the liquidity risk associated with its investments by limiting the types of eligible investments. At the time of purchase, corporate bonds and government bonds are limited to a rating of A or higher and money market investments are limited to R1 or better.

The Authority is exposed to the effects of future changes in the prevailing level of interest rates. Changes in the market interest rates have a direct effect on the fair value of the Authority's investments. The Authority mitigates the interest rate risk exposure of its Government and Corporate bonds and GICs by staggering maturity dates. As at March 31, 2012, the maturity dates are as follows:

	Government	Corporate	GICs	Effective Yield
Within 1 year	\$ 2,145	\$ 2,868	\$ 1,086	3.44%
2 to 5 years	18,172	20,071	3,158	3.96%
5 to 10 years	13,465	8,181	-	3.69%
Over 10 years	1,009	1,434	259	4.69%
	<u>\$ 34,791</u>	<u>\$ 32,554</u>	<u>\$ 4,503</u>	

Money market investments are not exposed to significant interest rate risk due to the short-term maturity of these investments.

10. SPECIFIC PURPOSE FUNDS

Cash and cash equivalents and investments held for specific purposes include the following:

	2012	2011
Cash and cash equivalents	\$ 9,379	\$ 8,233
Investments, at fair value	22,056	21,504
	<u>\$ 31,435</u>	<u>\$ 29,737</u>

The Authority maintains numerous research and trust accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2012	2011
Balance, beginning of year	\$ 29,737	\$ 31,612
Grants, bequests and donations	18,180	18,499
Investment income	2,253	606
Disbursements	(18,735)	(20,980)
Balance, end of year	<u>\$ 31,435</u>	<u>\$ 29,737</u>

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

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11. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tripartite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and cash equivalents held for the Nurse Recruitment and Retention Fund include the following:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 4,169	\$ 3,512

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 3,512	\$ 4,242
Additions to fund	3,600	2,477
Interest earned on investment	13	17
Fund expenditures	(2,956)	(3,224)
Balance, end of year	\$ 4,169	\$ 3,512

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2012</u>	<u>2011</u>
Accounts payable and accrued liabilities	\$ 161,069	\$ 138,498
Accounts payable to Manitoba Health	7,382	9,139
Accrued salaries	40,755	48,671
Holdbacks on construction contracts	3,947	1,673
	\$ 213,153	\$ 197,981

13. DEMAND LOANS

The demand loan represents an interest free cash advance from Manitoba Health. The interest free demand loan has a balance at March 31, 2012 of \$nil (2011 - \$18,000) and was issued on October 31, 2009 in the amount of \$20,000. This loan was repaid in full in 2012.

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14. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
1.085% Banker's Acceptance, maturing April 15, 2012 Health Sciences Centre Tecumseh Street Parkade Original Obligation \$38,319, Fair value \$35,635 (2011 - \$36,927)	\$ 35,635	\$ 36,927
Prime minus 0.65% Mortgage payable, maturing December 31, 2013 Health Sciences Centre Kleysen Institute Original Obligation \$13,999, Fair value \$11,302 (2011 - \$13,999)	11,302	13,999
7.38% Mortgage payable, maturing August 31, 2018 Monthly principal and interest payments \$157 Nutrition & Food Services Original Obligation \$18,976, Fair value \$9,982 (2011 - \$11,761)	9,624	10,755
5.8% Bank Loan, maturing September 30, 2014 Monthly principal and interest payments \$87 St. Boniface General Hospital Atrium Original Obligation \$12,400, Fair value \$10,272 (2011 - \$10,421)	9,309	9,803
0.802% Banker's Acceptance, maturing April 27, 2012 Health Sciences Centre Emily Street Parkade Original Obligation \$7,256, Fair value \$4,654 (2011 - \$5,419)	4,654	5,419
Prime plus 0.25% Term Loan, maturing September 30, 2022 Monthly principal and interest payments \$9 Grace General Hospital Ancillary Parking Lot Original Obligation \$1,255, Fair value \$1,098 (2011 - \$1,203)	1,098	1,203
Prime Non-Revolving Term Credit Facility, no fixed maturity Riverview Health Centre Boilers Original Obligation \$1,286, Fair value \$406 (2011 - \$540)	406	540
Prime plus 0.25% Term Loan, maturing September 1, 2015 Monthly principal and interest payments \$4 Grace General Hospital Hospice Original Obligation \$500, Fair value \$121 (2011 - \$170)	121	170
	72,149	78,816
Less amounts due within one year, included in current liabilities	(47,201)	(50,898)
	\$ 24,948	\$ 27,918

The fair value of long-term debt has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

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14. LONG-TERM DEBT (continued)

The Health Sciences Centre Tecumseh Street Parkade Loan has been secured with the Tecumseh Street Parkade, which at March 31, 2012 had a net book value of \$40,287 (2011 - \$41,384). The Health Sciences Centre Emily Street Parkade Loan has been secured with the Emily Street Parkade which at March 31, 2012 had a net book value of \$5,570 (2011 - \$5,950). The assigned results of the HSC Parking Operations have also been secured against both of the parkade loans.

The Health Sciences Centre Kleysen Institute loan, which has been secured against an assignment of funding pledges, had at March 31, 2012 a net book value of \$58,989 (2011 - \$51,146). Principal repayments will match the timing of the receipt of the pledges. The Authority anticipates approximately \$4,610 of repayment in the next year.

The 5.8% Bank Loan maturing on September 30, 2014 is secured by an assignment of existing and future leases and rents related to the St. Boniface General Hospital Atrium. In accordance with the terms of the loan agreement, the Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any building or land associated with the Atrium without the lender's consent.

The Grace General Hospital Ancillary Parking Lot Loan has been secured with the revenue from the Grace Ancillary parking lot. The Grace General Hospital Hospice Loan has been secured with the Hospice building which at March 31, 2012 had a net book value of \$3,284 (2011 - \$3,389).

In addition to the long-term debt above, the Authority has unsecured operating lines of credit which at March 31, 2012 amount to \$35,000 (2011 - \$30,900). As at March 31, 2012, \$nil is being utilized (2011 - \$nil).

The principal repayments over the next five fiscal years and thereafter are as follows:

2012/13	\$	47,201
2013/14		5,419
2014/15		11,969
2015/16		2,715
2016/17		1,739
Thereafter		3,106

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Authority has entered into interest rate swaps to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for each of the Emily Street Parkade and Tecumseh Street Parkade at the Health Sciences Centre. These interest rate swaps relate to banker's acceptances (listed in Note 14), which are automatically renewed monthly until the end of the swap agreement. The notional amount of the Emily swap at March 31, 2012 is \$4,654 (2011 - \$5,419), maturing on July 23, 2017 with a fixed rate of 4.105%. The fair value of this swap has been calculated as (\$136) (2011 - (\$13)), resulting in a derivative liability of \$136 (2011 - \$13).

The notional amount of the Tecumseh swap at March 31, 2012 is \$35,635 (2011 - \$36,927) maturing on November 15, 2039 with a fixed rate of 4.4%. The fair value of this swap has been calculated at (\$734) (2011 - \$385), resulting in a derivative liability of \$734 (2011 - derivative asset of \$385).

This derivative is measured at fair value and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations and in accounts payable and accrued liabilities in the consolidated statement of financial position.

The counterparty to this contract is a major Canadian financial institution. The Authority does not anticipate any material adverse effect on its financial position resulting from the involvement in this type of contract, nor does it anticipate non-performance by the counterparty given their high credit rating.

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16. DEFERRED CONTRIBUTIONS

	<u>2012</u>	<u>2011</u>
Deferred contributions, future expenses	\$ 69,080	\$ 32,111
Deferred contributions, capital	1,130,654	981,076
Deferred contributions, total	\$ 1,199,734	\$ 1,013,187

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The recognition of deferred contributions, future expenses is recorded as revenue in the consolidated statement of operations.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 32,111	\$ 44,153
Amount received during the year	48,602	13,889
Transferred to deferred contributions, capital	(3)	(11)
Less: amount recognized as revenue - programs	(11,474)	(25,877)
Less: amount recognized as revenue - non-insured services	(156)	(43)
Balance, end of year	\$ 69,080	\$ 32,111

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the consolidated statement of operations.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 981,076	\$ 922,461
Amount received during the year	218,530	125,761
Transferred from deferred contributions, future expenses	3	11
Less: amount amortized to revenue - programs	(66,136)	(64,303)
Less: amount amortized to revenue - non-insured services	(2,819)	(2,854)
Balance, end of year	\$ 1,130,654	\$ 981,076

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16. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

In prior years, the Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has incorporated the following long-term debt as part of its deferred contributions balance:

	<u>2012</u>	<u>2011</u>
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, Prime less 1.0% to Prime plus 0.50%	\$ 86,338	\$ 103,474
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre	-	25,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	35,815	51,365
	<u>\$ 122,153</u>	<u>\$ 179,839</u>

At March 31, 2012 the value of the sinking fund assets and accumulated interest aggregated \$35,815 (2011 - \$54,216). Annual payments are made by the Authority/Manitoba Health from cash held in trust, which at March 31, 2012 was \$nil (2011 - \$2,112).

Repayment on the above demand bank loans for capital projects begins when the related capital projects are substantially complete. For those substantially complete projects, the scheduled principal repayments are as follows:

2012/13	\$ 3,510
2013/14	3,510
2014/15	3,485
2015/16	3,462
2016/17	2,084

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17. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets represents the amount of capital assets internally funded and is calculated as follows:

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 1,346,289	\$ 1,209,136
Amounts financed by:		
Deferred contributions	\$ (1,130,654)	\$ (981,076)
Loans and accounts payable	(119,143)	(147,082)
Investment in capital assets	\$ 96,492	\$ 80,978

Change in investment in capital assets is calculated as follows:

	<u>2012</u>	<u>2011</u>
a) Surplus (deficit) for the year		
Amortization of capital assets included in programs	\$ (71,758)	\$ (68,499)
Amortization of capital assets included in non-insured services	(7,982)	(7,890)
Amortization of deferred contributions related to capital assets included in programs	66,136	64,303
Amortization of deferred contributions related to capital assets included in non-insured services	2,819	2,854
	\$ (10,785)	\$ (9,232)
b) Purchase of capital assets	\$ 216,894	\$ 145,990
Amounts funded by:		
Capital contributions received during the year	(218,530)	(125,761)
Capital contributions transferred from future expenses	(3)	(11)
Change in capital contributions receivable, loans and accounts payable	27,938	(11,613)
	\$ 26,299	\$ 8,605
Change in investment in capital assets	\$ 15,514	\$ (627)

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18. COMMITMENTS AND CONTINGENCIES

- a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.
- b) At March 31, 2012, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2012/13	\$	16,250
2013/14		15,078
2014/15		12,624
2015/16		12,299
2016/17		11,745

- c) At March 31, 2012, the Authority had capital commitments of approximately \$83,014 (2011 - \$33,045) and equipment purchase commitments of approximately \$7,533 (2011 - \$8,503).
- d) The Authority has entered into various equipment lease commitments. The minimum amounts payable over the next five fiscal years are as follows:

2012/13	\$	8,520
2013/14		6,523
2014/15		5,282
2015/16		3,964
2016/17		1,227

19. HIROC

On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces and territories where it is licensed. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

20. ECONOMIC DEPENDENCE

The Authority received approximately 92% (2011 - 91%) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

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21. RELATED ENTITIES

The Authority provides community health services through operations directly owned by the Authority, as well as through other organizations and agencies via a variety of agreements (Notes 1 and 3a). Transactions between the related parties are recorded at the exchange amount. For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, MATC and VENT are controlled (Note 3b) and have been consolidated into the Authority's financial statements.

The consolidated entities within the Authority exercise control over the following entities by virtue of their ability to determine their operating, investing, or financing policies. The following entities are controlled, but not consolidated:

Seven Oaks General Hospital Foundation Inc.
 St. Boniface General Auxiliary Inc.

These entities were incorporated under the Corporations Act of Manitoba, are registered charities for the purposes of the Income Tax Act and accordingly are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

A financial summary of these entities is as follows:

	<u>2012</u>	<u>2011</u>
<i>Financial Position</i>		
Total assets	\$ 2,068	\$ 1,789
Total liabilities and deferred contributions	191	248
Total net assets	\$ 1,877	\$ 1,541
<i>Results of Operations</i>		
Total revenue	\$ 1,607	\$ 1,446
Total expenses	1,063	1,184
Surplus from operations	\$ 544	\$ 262
<i>Cash Flows</i>		
From operating activities	\$ 368	\$ 302
Used in financing and investing activities	(135)	(30)
Increase in cash	\$ 233	\$ 272

21. RELATED ENTITIES (continued)

a) Controlled entities (continued)

During the year, the entities listed contributed \$571 (2011 - \$327) to various facilities within the Authority. The Authority incurred expenses of \$nil (2011 - \$111) with the listed entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of \$76 (2011 - \$152) receivable from and \$nil (2011 - \$nil) payable to the entities above.

b) Significant influence

The consolidated entities within the Authority exercise significant influence over a number of hospital foundations and other similar organizations by virtue of their ability to affect the entities' strategic operating, investing, and financing policies. These entities were incorporated under the Corporations Act of Manitoba, are registered charities for the purposes of the Income Tax Act and accordingly, are exempt from income taxes. The aim of these entities is to advance the welfare of their respective hospitals and patients.

During the year, these entities contributed \$6,895 (2011 - \$4,348) to various facilities within the Authority. The Authority incurred expenses of \$39 (2011 - \$nil) with the above entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of \$1,680 (2011 - \$2,483) receivable from and \$35 (2011 - \$31) payable to the entities above.

c) Economic interest

The consolidated entities within the Authority have an economic interest in a number of organizations that support a hospital by virtue of the organizations holding resources that must be used to produce revenue for the consolidated entities within the Authority.

During the year, these entities contributed \$6,242 (2011 - \$3,269) to various facilities within the Authority. The Authority incurred expenses of \$9 (2011 - \$nil) with these entities. As at March 31, 2012, various facilities within the Authority had aggregate amounts of \$2,547 (2011 - \$473) receivable from and \$100 (2011 - \$nil) payable to these entities.

In addition to these entities, the Authority has an economic interest in proprietary and non-proprietary personal care homes and community health agencies. Funding is provided to these entities through service purchase agreements to deliver service on behalf of the Authority. Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service. As at March 31, 2012, the Authority had aggregate amounts of \$nil (2011 - \$nil) receivable from and \$27,013 (2011 - \$17,821) payable to proprietary and non-proprietary personal care homes and community health agencies.

22. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependent on the agreement/policy applicable to the employee):

1. Four days of salary per year of service upon retirement if the employee meets one of the following conditions:
 - i. has 10 years service* and has reached the age of 55
 - ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service with the age of the employee
 - iii. retires at or after age 65
 - iv. terminates employment at any time due to permanent disability

*Non-union policy requires 5 years of service for staff not covered by a collective agreement.
2. One week of pay for each year of service up to 15 years of service and two weeks of additional pay for each five years past the 15 years of service up to 35 years of service upon retirement if the employee meets the following conditions:
 - i. has 9 or more years of service
 - ii. has reached the age of 55
3. One week of pay for each year of accumulated service or portion thereof to a maximum of 15 weeks pay upon retirement if the employee meets the following conditions:
 - i. has 10 or more years of service
 - ii. has reached the age of 55
4. Payment or pre-retirement leave equivalent to the number of unused sick leave days accumulated during the last 5 years of service plus 25% of the unused sick leave days accumulated prior to the last 5 years of service multiplied by the daily rate of the employee's permanent or regular position in effect on the employee's last day of service payable upon retirement, death, or termination of service caused by a transfer of departmental function.

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22. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2011, projected to March 31, 2012. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.1% (2011 - 4.7%) and a rate of salary increase of 3.0% (2011 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the consolidated statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province of Manitoba. Any changes from the March 31, 2004 liability amount are reflected in the consolidated statement of operations.

	<u>2012</u>	<u>2011</u>
Employee future benefits recoverable from Manitoba Health	\$ 82,302	\$ 82,302

An analysis of the changes in the employee benefits payable is as follows:

Balance, beginning of year	\$ 147,723	\$ 143,324
Net increase in pre-retirement entitlements	6,944	4,399
Balance, end of year	\$ 154,667	\$ 147,723

b) Pension plan

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. The Authority is a Signatory Board and Settlor of the Plan and as such all of the relevant financial information is contained within the financial information of the Plan. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the Plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook* ("CICA") Section 3461.

22. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan (continued)

The Plan's assets consist of investment grade securities. Market and credit risks on these securities are managed by the Plan through the use of multiple professional investment advisors who are guided by the Plan investment policy. Pension expense is based on the best estimates of the Plan's management, in consultation with its actuaries, of the amount, together with a rate of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation for funding purposes occurred on December 31, 2011, but the results of this valuation are not yet publicly available. As at December 31, 2010, the valuation determined that the Plan was not fully funded, a contribution rate increase was ratified by the Plan Settlers, and it continues to be gradually implemented. The Plan is required to have its next actuarial valuation for funding purposes on or before December 31, 2012. Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to \$74,662 (2011 - \$65,968) and are included in the consolidated statement of operations.

Some employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the consolidated financial statements relating to the effects of participating in this plan by the Authority and its employees.

Some employees are eligible for membership in the multi-employer City of Winnipeg Employees' Benefits Program, which includes the Civic Employees' Pension Plan. The Civic Employees' Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed \$1,243 (2011 - \$1,142) for current year's contributions.

Some employees are eligible for membership in the multi-employer Home Care Workers' Benefit Trust, which includes the Manitoba Home Care Pension Plan. The Manitoba Home Care Pension Plan is a defined contribution pension plan. During the year, the Authority expensed contributions to this plan of \$1,388 (2011 - \$1,342).

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23. CAPITAL DISCLOSURES

The Authority's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide health care services to the community. The capital position of the Authority is managed through its net assets, deferred contributions and loans.

The Authority relies mainly on government funding to finance its operations. The funds provided by the Government of Manitoba are allocated to the various programs based on the priorities identified by the Authority's Board of Directors.

During the year, the Board of Directors internally restricted \$890 (2011 - \$1,350) of unrestricted net assets to be used for future purchases. Internally restricted amounts are not available for other purposes without approval of the Board of Directors.

The Authority also receives restricted contributions from government, private companies and individuals. Contributions received but not spent by the end of an accounting period are deferred and recognized in the appropriate period. During the year ended March 31, 2012, the Authority complied with the external restrictions imposed by its funders.

The Authority has entered into borrowing facilities to finance the purchase of capital assets. These facilities contain financial covenants. For all borrowing facilities, the Authority is to ensure that the proceeds of external financing arranged to refinance project loans will be first utilized to repay relevant project loans. Additionally, for the Emily Street Parkade and Tecumseh Street Parkade Loans, the Authority is required to maintain a Debt Service Coverage ratio of not less than 110%. During the year ended March 31, 2012, the Authority complied with the financial covenants imposed by its financial institution.

24. SUBSEQUENT EVENTS

Included in the Province of Manitoba's Budget 2012 was the proposal to reduce the number of Regional Health Authorities in Manitoba. On May 30, 2012, a regulation was registered in respect to the Regional Health Authorities Act stating that Winnipeg Regional Health Authority and Churchill RHA Inc. are amalgamated and a new authority still named "Winnipeg Regional Health Authority" is established for the Winnipeg-Churchill Health Region.

25. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the year ended March 31

(in thousands of dollars)

	2012	2011
Separately funded primary health programs	\$ 4,425	\$ 4,724
Other government revenue	11,774	10,398
Patient and resident income	34,286	32,044
Radiology fee for service	13,901	13,782
Recoveries	54,531	49,560
Investment income	1,999	1,979
Miscellaneous income	1,233	10,732
Total	\$ 122,149	\$ 123,219

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Long-term Care Facility Funding

For the year ended March
(in thousands of dollars)

	2012	2011
Non-proprietary Personal Care Homes		
Actionmarguerite - St. Boniface (formerly Taché Centre)	\$ 17,970	\$ 16,729
Actionmarguerite - St. Vital (formerly Foyer Valade Inc.)	7,167	6,925
Bethania Mennonite Personal Care Home	6,802	6,505
Calvary Place Personal Care Home	5,292	5,098
Convalescent Home of Winnipeg	3,546	3,364
Donwood Manor Personal Care Home	5,797	5,606
Fred Douglas Lodge	6,506	6,382
Golden Links Lodge	4,091	4,015
Golden West Centennial Lodge	5,156	4,943
Holy Family Nursing Home	13,133	12,625
Lions Personal Care Centre	5,196	5,063
Luther Home	3,901	3,810
Meadowood Manor	3,895	3,818
Middlechurch Home of Winnipeg	9,724	9,350
Park Manor Personal Care Home	4,673	4,576
Pembina Place Mennonite Personal Care Home	2,968	2,883
Southeast Personal Care Home	2,959	75
Sharon Home	9,641	9,099
St. Joseph's Residence	4,839	4,655
West Park Manor	6,556	6,318
Supportive Housing	8,070	7,539
Faith Gardens Inc.	15	15
Miscellaneous Funding Adjustments	1,658	1,250
Total	\$ 139,555	\$ 130,643
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	\$ 8,484	\$ 8,318
Central Park Lodge - Charleswood Care Centre	6,889	6,725
Central Park Lodge - Heritage Lodge	4,277	4,081
Central Park Lodge - Kildonan Personal Care Home	6,123	6,066
Central Park Lodge - Maples Personal Care Home	9,726	9,384
Central Park Lodge - Parkview Place	13,648	13,418
Central Park Lodge - Poseidon Care Centre	10,182	9,942
Extendicare - Oakview Place	10,847	10,493
Extendicare - Tuxedo Villa	9,131	8,994
Golden Door Geriatric Centre	3,547	3,514
River East Personal Care Home	5,806	5,682
St. Norbert Nursing Home	3,808	3,734
Vista Park Lodge	4,752	4,643
Miscellaneous Funding Adjustments	919	582
Total	\$ 98,139	\$ 95,576
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	\$ 4,091	\$ 4,057
Extendicare - Hillcrest Place	4,562	4,455
Extendicare - Red River Place	4,923	4,840
St. Adolphe Personal Care Home	2,025	1,947
Tudor House Personal Care Home	3,659	3,581
Miscellaneous Funding Adjustments	-	1
Total	\$ 19,260	\$ 18,881
Residential Care		
St. Amant Centre	\$ 27,781	\$ 26,479
Total	\$ 284,735	\$ 271,579

The facility funding reported on this schedule reflects approximately 74% (2011 - 74%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2012, Drug Capitation Fees of \$2,829 (2011 - \$2,181) were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes.

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding

For the year ended March 31
(in thousands of dollars)

	2012	2011
Aboriginal Health & Wellness Centre	\$ 1,292	\$ 1,175
Centre de Santé	2,603	2,537
Hope Centre Health Care Incorporated	1,047	1,023
Klinik Incorporated	6,848	6,567
Main Street Project Inc.	2,555	1,871
MFL Occupational Health and Safety Inc.	789	778
Mount Carmel Clinic	7,417	7,348
Nine Circles Community Health Centre Inc.	3,482	3,463
Nor'West Co-op Community Health Centre, Inc.	1,688	1,463
Rehabilitation Centre for Children, Inc.	2,750	2,683
Sexuality Education Resource Centre Manitoba, Inc.	1,103	1,040
Women's Health Clinic, Inc.	3,890	3,228
Clinique Youville Clinic Inc.	2,602	2,560
Miscellaneous Funding Adjustments	1	1
Total	\$ 38,067	\$ 35,737

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Adult Day Care Facility Funding

For the year ended March 31, 2012

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Convalescent Home of Winnipeg	\$ 57	\$ 56
Fred Douglas Lodge	210	204
Golden Links Lodge	96	93
Golden West Lodge	182	176
Holy Family Nursing Home	269	262
Independent Living Resource Centre	114	111
Lions Personal Care Centre	175	174
Lions Place - Charleswood	322	313
Lions Place - Concordia	207	201
Lions Place - 610 Portage	243	236
Luther Home	107	103
Middlechurch Home of Winnipeg	272	264
Extendicare - Oakview Place	159	154
Park Manor Personal Care Home	157	153
Sharon Home	86	83
South YM/YWCA	170	165
Taché Centre	421	409
Miscellaneous Funding Adjustments	2	-
Total	\$ 3,249	\$ 3,157

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the year ended March 31
(in thousands of dollars)

	2012	2011
Aboriginal Seniors Resource Centre	\$ 172	\$ 169
Age & Opportunity Centre Inc.	507	573
ALS House (Brummit Feasby)	415	408
Alzheimer's Society of Manitoba	93	93
Andrews Street Family Centre	40	23
Betelstadur Housing Co-op	7	7
Bethania Personal Care Home	9	12
Bethel Place	38	38
Bonivital Council for Seniors	40	39
Broadway Seniors Resource Council Inc.	40	39
Brooklands Pioneer Senior Citizens Club	25	-
Canadian Mental Health Association	1,303	982
Central Speech & Hearing Clinic Inc.	266	101
Charleswood Senior Centre	48	46
Chez Nous Inc.	20	19
City of Winnipeg - Emergency Services	5,609	5,529
Clubhouse of Winnipeg Inc.	420	412
CNIB	12	12
Columbus Manor	20	19
Community Therapy Services - Mental Health	219	217
Creative Retirement Manitoba	48	46
Donwood Manor	121	118
Doray Enterprises	-	332
Fort Garry Services Inc.	38	38
Foyer Vincent Inc.	20	19
Friends Housing Inc.	96	94
Good Neighbours Senior Centre Inc.	131	128
Gwen Secter Creative Living Centre	59	58
Hospice & Palliative Care Manitoba	84	83
Jewish Child and Family	41	36
Jocelyn House	291	285
Keewatin Inkster	97	95
KeKinan Centre Inc.	15	12
Kingsford Haus Co-op Ltd.	12	12
La Federation de Franco MB	25	24
L'Accueil Colombien Inc.	19	18
Lindenwood Manor	102	100
Lions Club	38	37
Manitoba Association of Multipurpose Senior Centres	8	4
Manitoba Brain Injury Program	51	-
Manitoba Cardiac Institute (Reh-fit)	766	754
Manitoba Eastern Star Chalet	12	12
Manitoba Housing Authority	355	348

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies (continued)

For the year ended March 31

(in thousands of dollars)

	2012	2011
MacDonald Youth Services	331	324
McClure	12	12
Meals on Wheels of Winnipeg Inc.	162	159
Metropolitan Kiwanis Courts	103	101
Middlechurch Home of Winnipeg	47	47
Park Manor Personal Care Home	83	82
Pembina Active Living 55+	25	-
Pembina Place	37	37
Rainbow Resource Centre	351	305
River East Council for Seniors	64	62
Rose & Max Rady Jewish Community Centre	18	17
Ruperts Land Caregiver Services	68	57
S.S.C.O.P.E. Incorporated	224	102
Salvation Army	253	248
Salvation Army - Grace Hospital	-	500
Sara Riel Inc.	970	930
Seniors Home Help Inc.	77	75
Seneca House	382	374
Serena Manitoba Inc.	12	12
Seven Oaks Seniors Link	40	39
Seven Oaks Wellness Centre	886	836
Society for Manitobans with Disabilities	1,518	1,452
South Winnipeg Senior Resource Council Inc.	64	63
St. James/Assiniboia Senior Centre Inc.	99	97
Stay Young Centre	18	18
Transcona Council for Seniors	48	43
University of Manitoba	1,973	969
Villa Cabrini Inc.	38	38
Villa Nova	12	12
Villa Tache	30	30
Willow Centre	12	12
Winnipeg Housing Rehab Corp.	19	18
Wolseley Family Centre	99	97
YM/YWCA of Winnipeg	186	182
Total	\$ 19,993	\$ 18,741

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 6 - Internally Restricted Net Assets

For the year ended March 31
 (in thousands of dollars)

	2012										2011
	Laundry Capital Assets	Concordia Capital Assets	Deer Lodge Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Health Sciences Centre Internally Restricted	Riverview Internally Restricted	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total
Balance, beginning of year	\$ 1,972	\$ 895	\$ 149	\$ 3,042	\$ 255	\$ 4,137	\$ 1,947	\$ 3,444	\$ 5,390	\$ 6,588	\$ 27,819
Surplus (deficit) for the year	-	-	-	-	-	11	-	176	627	(1)	813
Purchase of capital assets, net	(152)	-	-	-	-	(520)	-	-	-	-	(672)
Net asset restrictions	812	-	-	-	-	469	37	-	(428)	-	890
Balance, end of year	\$ 2,632	\$ 895	\$ 149	\$ 3,042	\$ 255	\$ 4,097	\$ 1,984	\$ 3,620	\$ 5,589	\$ 6,587	\$ 28,850

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Nature of Expense

For the year ended March 31

(unaudited)

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
REVENUE		
Manitoba Health operating income	\$ 2,294,399	\$ 2,182,631
Other income (Schedule 1)	122,149	123,219
Amortization of deferred contributions, capital	66,136	64,303
Recognition of deferred contributions, future expenses	11,474	25,877
	<u>2,494,158</u>	<u>2,396,030</u>
EXPENSES		
Salaries and wages	1,351,776	1,308,669
Medical remuneration	213,290	193,890
Printing, stationery and office supplies	6,529	6,269
Housekeeping, laundry and linen	19,957	19,097
Utilities, insurance and taxes	38,993	38,926
Food and dietary supplies	34,117	25,237
Medical and surgical supplies	125,551	121,618
Pharmaceutical supplies	56,218	55,783
Diagnostic supplies	24,966	23,863
Miscellaneous and other	50,185	69,354
Repairs and maintenance	66,780	62,579
Referred out services	66,025	56,822
Radiology fee for service costs	13,910	13,818
Interest	676	584
Amortization of capital assets	71,758	68,499
Employee future benefits	6,944	4,399
Non-acute care facility and grant funding	346,779	329,932
	<u>2,494,454</u>	<u>2,399,339</u>
OPERATING DEFICIT	(296)	(3,309)
NON-INSURED SERVICES		
Non-insured services income	63,598	62,269
Non-insured services expenses	61,514	56,797
NON-INSURED SERVICES SURPLUS	2,084	5,472
SURPLUS FOR THE YEAR	\$ 1,788	\$ 2,163

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program
For the year ended March 31
(unaudited)
(in thousands of dollars)

	2012	2011
REVENUE		
Manitoba Health operating income	\$ 2,294,399	\$ 2,182,631
Other income (Schedule 1)	122,149	123,219
Amortization of deferred contributions, capital	66,136	64,303
Recognition of deferred contributions, future expenses	11,474	25,877
	2,494,158	2,396,030
EXPENSES		
Program costs		
Anaesthesia	15,538	14,819
Breast health	2,703	2,488
Cardiac sciences	76,253	72,299
Child health	107,026	104,391
Child, adolescent and mental health	20,153	19,785
Critical care	62,802	54,855
Diagnostic imaging	65,824	65,333
Diagnostic imaging - Radiology Fee for Service	13,800	13,747
Emergency	90,728	87,194
Family medicine	39,941	38,590
Genetics	1,491	1,357
Health Links	6,634	6,719
Laboratories	84,852	80,099
Medicine	119,240	110,558
Renal health	59,346	59,172
Mental health	40,546	40,165
Oncology	5,211	8,767
Oral health	492	499
Palliative care	12,143	9,541
Psychology	4,394	4,390
Rehab/Geriatrics	62,756	61,892
Surgery	227,166	219,269
Tele-health	2,610	2,457
Women's health	51,194	50,980
Long-term care	63,632	62,689
Residents and interns	33,880	32,944
Other diagnostic and therapeutic services	47,168	43,131
Pharmacy	37,525	35,566
Community based home care services	205,614	199,477
Community based mental health services	21,927	20,225
Community based primary health services	39,822	38,080
Separately funded primary health programs	9,873	9,528
	1,632,284	1,571,006

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program (continued)
For the year ended March 31
(unaudited)
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Indirect service costs		
Corporate and support services	75,751	74,995
Clinical and non-clinical support services	93,299	92,865
Information services		
eHealth information services (Schedule A)	75,369	61,716
Other information services	1,576	938
Facility services	158,288	162,645
Marketed services	98	127
Research and education services	9,670	9,698
	<u>414,051</u>	<u>402,984</u>
Other costs		
Non-acute care facility and grant funding	346,779	329,932
Aboriginal services and strategies	2,890	2,417
Other costs	19,072	19,518
Employee future benefits	6,944	4,399
Interest	676	584
Amortization of capital assets	71,758	68,499
	<u>448,119</u>	<u>425,349</u>
	<u>2,494,454</u>	<u>2,399,339</u>
OPERATING DEFICIT	(296)	(3,309)
NON-INSURED SERVICES		
Non-insured services income	63,598	62,269
Non-insured services expenses	61,514	56,797
NON-INSURED SERVICES SURPLUS	2,084	5,472
OPERATING AND NON-INSURED SURPLUS	\$ 1,788	\$ 2,163

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
Schedule A - Manitoba eHealth Operating Results
For the year ended March 31
(unaudited)
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
REVENUE		
Manitoba Health operating income	\$ 61,798	\$ 53,181
Recoveries	13,847	10,932
	75,645	64,113
EXPENSES		
Salaries, wages, and employee benefits	42,017	37,439
Data communications	2,240	1,897
License fees	2,821	2,041
Hardware and software maintenance	17,462	11,847
Buildings and ground expense	2,724	2,633
Miscellaneous and other	8,105	5,860
	75,369	61,716
OPERATING SURPLUS	276	2,397
Manitoba Health operating income reduction	(276)	(2,397)
SURPLUS FOR THE YEAR	\$ -	\$ -

The above results are exclusive of items such as employee future benefits and the revenue and expenses related to capital assets, as these items are recorded outside of eHealth operations.

WINNIPEG REGIONAL HEALTH AUTHORITY

Supplementary Information

As at March 31, 2012

(unaudited)

(in thousands of dollars)

ADMINISTRATIVE COSTS

The Canadian Institute of Health Information ("CIHI") defines a standard set of guidelines for the classification and coding of financial and statistical information for use by all Canadian health service organizations. The Authority adheres to these coding guidelines.

The most current definition of administrative costs determined by CIHI includes: General Administration (including Acute/Long-term Care/Community Administration, Patient Relations, Community Needs Assessment, Risk Management, Quality Assurance, and Executive costs), Finance, Human Resources, Labour Relations, Nurse/Physician Recruitment and Retention, and Communications.

The administrative cost percentage indicator (administrative costs as a percentage of total operating costs) adheres to CIHI definitions.

At the request of Manitoba Health, the presentation of administrative costs has been modified to include new categorizations in order to increase transparency in financial reporting. These categories and their inclusions are as follows:

Corporate

Includes: General Administration, Acute Care/Long-term Care/Community Services Administration, Executive Offices, Board of Trustees, Planning and Development, Community Health Assessment, Risk Management, Internal Audit, Finance and Accounting, Communications, Telecommunications, and Mail Service.

Recruitment and Human Resources

Includes: Personnel Records, Recruitment and Retention (General, Physicians, Staff, and Nurses), Labour Relations, Employee Compensation and Benefits Management, Employee Health and Assistance Programs, Occupational Health and Safety, and Provincial Labour Relations Secretariat.

Patient Care Related

Includes: Utilization Management, Cancer Standards and Guidelines, Patient Relations, Infection Control, Quality Assurance (Medical, Nursing, and Other), Manitoba Telehealth, and Accreditation.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
As at March 31, 2012
(unaudited)
(in thousands of dollars)

ADMINISTRATIVE COSTS (continued)

Administrative costs and percentages for the Authority (including hospitals, non-proprietary personal care homes and community health agencies) are:

	2012						2011					
	Acute Care Facilities and Corporate Office			Personal Care Homes and Community Health Agencies			Acute Care Facilities and Corporate Office			Personal Care Homes and Community Health Agencies		
	\$	%	Total	\$	%	Total	\$	%	Total	\$	%	Total
Corporate	\$52,939	2.24%	\$67,008	\$14,069	5.99%	\$67,008	\$54,323	2.39%	\$14,797	6.59%	\$69,120	2.77%
Recruitment and Human Resources	22,825	0.97%	24,053	1,228	0.52%	24,053	22,469	0.99%	631	0.28%	23,100	0.92%
Patient Care Related	18,402	0.78%	18,420	18	0.01%	18,420	15,155	0.66%	24	0.01%	15,179	0.61%
	\$94,166	3.99%	\$109,481	\$15,315	6.52%	\$109,481	\$91,947	4.04%	\$15,452	6.88%	\$107,399	4.30%

The 2012 figures presented are based on preliminary data available at time of publication. Restatements were made to the 2011 figures to reflect the final data that was submitted after the publication date, and for the inclusion of Manitoba Telehealth (as per request from Manitoba Health). As a result, the total administrative costs were increased by \$1,819 (\$1,739 due to Manitoba Telehealth inclusion), with a corresponding increase to the overall administrative cost percentage of 0.01%.